

STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION TURNPIKE SYSTEM

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



Front cover -

Construction of the new Little Bay Bridge along the future northbound barrel of the Spaulding Turnpike.

STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION
TURNPIKE SYSTEM



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2011

Prepared by the State of New Hampshire
Department of Transportation
Division of Finance

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NEW HAMPSHIRE TURNPIKE SYSTEM
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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NEW HAMPSHIRE TURNPIKE SYSTEM
Introductory Section
For the Fiscal Year Ended June 30, 2011

INTRODUCTORY SECTION
(Unaudited)

This section includes the Turnpike System map; a letter addressed to the citizens, the Governor of the State of New Hampshire, and the Honorable Council; an organizational listing of the principal officials; and a transmittal letter.

TURNPIKE SYSTEM



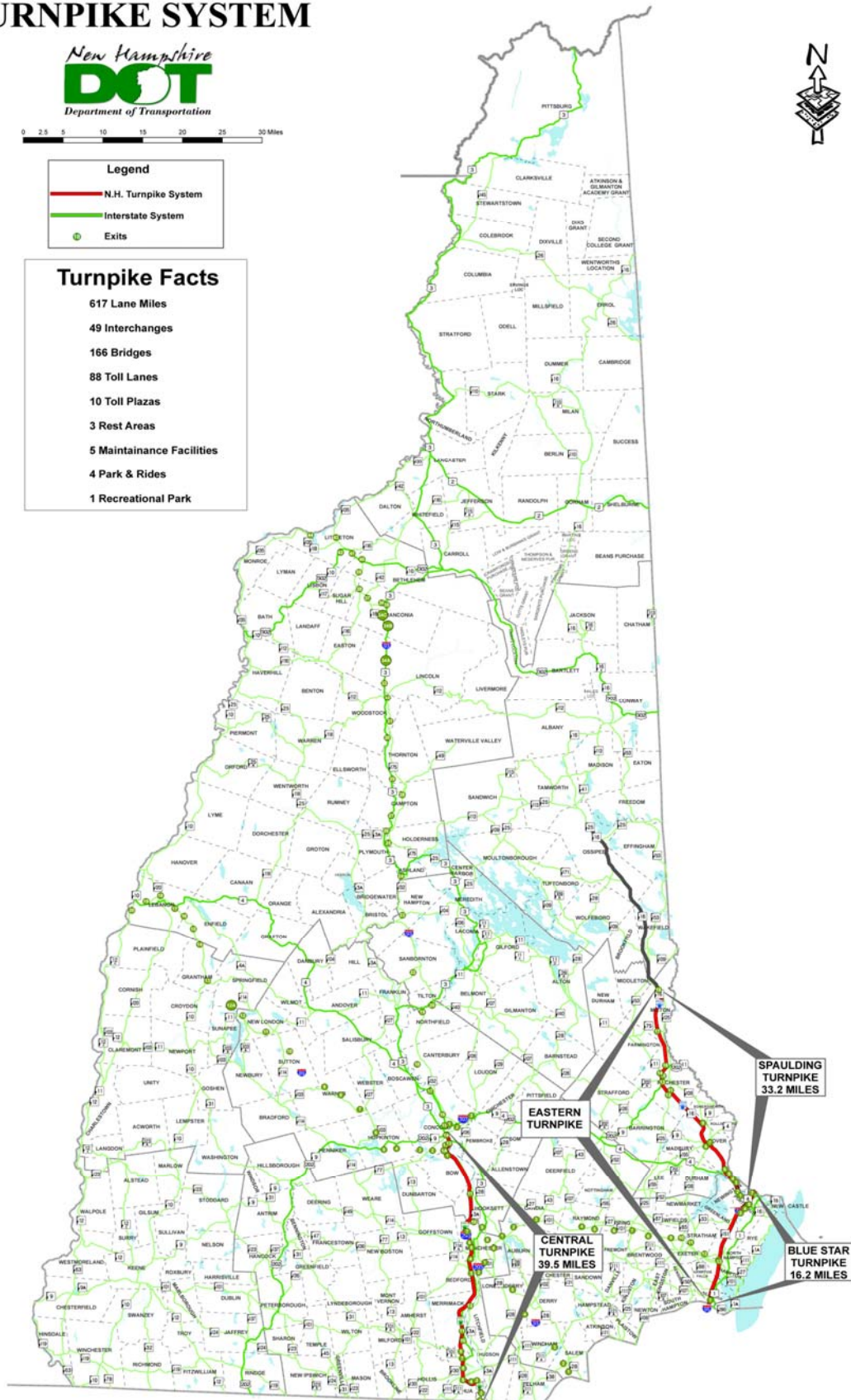
0 2.5 5 10 15 20 25 30 Miles

Legend

- N.H. Turnpike System
- Interstate System
- Exits

Turnpike Facts

- 617 Lane Miles
- 49 Interchanges
- 166 Bridges
- 88 Toll Lanes
- 10 Toll Plazas
- 3 Rest Areas
- 5 Maintenance Facilities
- 4 Park & Rides
- 1 Recreational Park



THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION



CHRISTOPHER D. CLEMENT, SR.
COMMISSIONER



JEFF BRILLHART, P.E.
ASSISTANT COMMISSIONER

December 29, 2011

To: The Citizens of New Hampshire,
His Excellency the Governor, and the Honorable Council,

We are pleased to submit the Comprehensive Annual Financial Report of the New Hampshire Department of Transportation Turnpike System for the fiscal year ended June 30, 2011. Recent developments affecting the Turnpike System during this fiscal year include the following:

- Toll transactions continue to slowly rebound to increase by 0.4% in fiscal year 2011, while toll revenue increased by 0.5%. Robust traffic growth in the first half of the fiscal year was eroded in the second half by the impact of winter storms in January and February, along with high gas prices that materialized in April.
- Transactions increased in the E-ZPass Program (40% as of 6/30/06, over 64% as of 6/30/11) with the Hampton Open Road Tolling (ORT) plaza leading the growth on the System reflecting a 3.8% increase in E-ZPass utilization over the previous fiscal year.
- The opening of new ORT lanes at the Hampton Toll Plaza occurred on June 17, 2010. The \$17.6 million ORT project has improved the level of service for E-ZPass customers and toll patrons by limiting traffic backups and congestion. The improved operations have environmental benefits by reducing air emissions and fuel consumption, as well as safety enhancements by eliminating last-second lane switching.
- Aggressive scheduling and progression of high priority construction projects on the Turnpike System continues with the widening of the Spaulding Turnpike in Rochester and the construction of the new Little Bay Bridge and Spaulding Turnpike improvements in Newington and Dover. Ten construction contracts with a total of approximately \$188.6 million were under construction this fiscal year.
- The State's Treasurer's Office secured \$150.0 million in new Turnpike Revenue Bonds and refunded \$67.2 million of old Turnpike Bonds in November 2009 at extremely favorable rates (3.97% all-in true interest for the \$150.0 million American Recovery and Reinvestment Act, Build America Bonds (ARRA) and 3.49% for the refunded bonds). As of June 30, 2011, a total of \$127.5 million had been expended on Turnpike capital projects with \$13.4 million of bond proceeds available for projects. All remaining bond proceeds for construction have been fully expended, October of 2011.
- Chapter 144, Laws of 2009 authorized the acquisition and transfer of a bridge and 1.6-mile section of I-95 to the Turnpike System for \$120 million. Note payments of \$30 million were made in fiscal year 2010 and \$20 million in fiscal year 2011.
- Chapter 1, Laws of 2010 Special Session, authorized the acquisition and transfer of the I-93 Hooksett Rest Areas (less Liquor Store sites) to the Turnpike System for \$6.5 million. A subsequent independent review

appraisal and recognition of greater utilization of the parcels than originally identified resulted in an additional payment of \$2.082 million to the New Hampshire State Liquor Commission.

- The General Bond Resolution requires the Turnpike System to maintain a Revenue Bond Coverage Ratio of 1.20%; the 2011 ratio is 2.28%. The resolution also requires an All Obligations Coverage Ratio of 1.0%; the 2011 ratio is 1.74%.

The Department of Transportation, Division of Finance, prepared this report. Responsibility for both the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Department. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results in operations, and cash flows of the Turnpike System. All disclosures necessary to enable the reader to gain an understanding of the Turnpike System's financial activities have been included.

THE TURNPIKE SYSTEM

General Description

The Turnpike System, as shown on the map in the Introductory Section, presently consists of 89 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 617 total lane miles, 166 bridges, 49 interchanges, and 23 facilities. Since beginning operations in 1950, the Turnpike System has contributed to the development of the New Hampshire economy. It has also been a major factor in the growth of the tourist industry in the State. The Turnpike System consists of three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, (which are collectively referred to as the Eastern Turnpike), and the Central Turnpike. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.

No food, gas or vehicle service facilities are located on the Turnpike System, with the exception of vending machines at the Hooksett and Seabrook rest areas which are operated by a private vendor and a state licensing agency for the Blind and Visually Impaired. Motorist services are located near most interchanges on the Turnpike System and are privately operated. State operated liquor stores are located at two rest areas on the Central Turnpike (I-93) and at two sites along the Blue Star Turnpike (I-95). The Turnpike System does not receive any revenue from the liquor store operations, which are operated by the State's Liquor Commission, but receive nominal revenue from the vending installations.

The Eastern Turnpike

Blue Star Turnpike (I-95)

The Blue Star Turnpike segment of the Turnpike System extends from the Massachusetts state line in Seabrook, New Hampshire to the Maine State line in Portsmouth, New Hampshire. It is 16.2 miles in length and constitutes a portion of U.S. Interstate Highway 95. The Blue Star Turnpike serves as the major connecting road between the states of Maine and Massachusetts. It also parallels the seacoast and, as such, is the major artery for tourist traffic to the New Hampshire coast from Massachusetts and Maine. The route also connects with several major highways in New Hampshire, including Route 101, Route 4 and the Spaulding Turnpike. Two toll plazas are located in Hampton, one for main line traffic and one for vehicles entering and leaving the Turnpike System at NH Route 101.

Hampton also has both a maintenance and park and ride facility to encourage car-pooling. The Seabrook Welcome Center provides a rest area, vending machines, and parking for automobiles and commercial vehicles.

I-95 Acquisition

As a result of legislative action (Chapter 144, Laws of 2009), the Department of Transportation was authorized to transfer a section of Interstate 95 to the Turnpike System. The legislation authorized the Department of Transportation to convey a 1.6-mile section of I-95, including the Piscataqua River Bridge, to the Bureau of Turnpikes in exchange for \$120 million and on such other terms and conditions as the Commissioner of Transportation and the Bureau of Turnpikes agree. The legislation further provides that the amount payable to the Department of Transportation for deposit into the State Highway Fund shall be paid from the Turnpike System General Reserve Account over a period

not to exceed twenty years with \$30.0 million (including interest) being paid in Fiscal Year 2010, \$20.0 million (including interest) being paid in Fiscal Year 2011, and the balance to be paid as agreed by the Commissioner of Transportation and the State Treasurer. The Governor and Council approved a \$.50 toll increase on the Hampton main line plaza effective July 1, 2009 that generates approximately \$11.6 million annually that funds this acquisition.

The acquisition was in the best interest of the Turnpike System in so much as this section of I-95 provides a critical link to the Maine Turnpike, and the traffic is principally Turnpike traffic with the expectation that this segment would be maintained to the same standard as the rest of the Blue Star Turnpike (I-95).

Open Road Tolling

The new highway speed electronic tolling lanes at the Hampton Toll Plaza on Interstate 95 (Blue Star Turnpike) opened permanently for motorists early on the morning of June 17, 2010. In Fiscal Year 2011 nearly 62% of all vehicles used the ORT lanes at the Hampton Toll Plaza.

During its first year of operation, the ORT lanes at the Hampton Tolls have reduced traffic backups, improved service for E-ZPass customers, improved air quality by reducing emissions caused by idling, and reduced diversion to alternate routes by improving traffic flow.

The Hampton Toll Plaza Open Road Tolling project converted six plaza lanes to four ORT lanes (two in each direction) while also adding one additional tollbooth in each direction. ORT lanes can process nearly five times as many vehicles as a conventional cash toll lane and 60 percent more traffic than a dedicated E-ZPass lane where motorists must slow down to pass through. In addition to the ORT lanes, there are a total of 12 toll lanes in use (six northbound and six southbound) for both cash paying and E-ZPass customers.

The project was selected as the regional winner in the 2011 America's Transportation Awards competition under the On Time Small Project category. The America's Transportation Awards were created to acknowledge transportation improvements delivered by state departments of transportation "On Time", "Under Budget", and with "Innovative Management." Subsequent to the selection as a regional winner, the ORT project was identified as one of the "Top Ten" projects nationwide.

Route 107 Seabrook

Final design engineering work is nearly complete for the planned widening of the Route 107 bridge over I-95 in Seabrook. The expansion is expected to greatly improve the evacuation capacity of Route 107, reduce traffic backups and improve air quality. The Town of Seabrook and a private developer have agreed to fund approximately 45% of the \$5.6 million project.

Spaulding Turnpike

The Spaulding Turnpike segment of the Turnpike System, including the 11.2-mile Spaulding Turnpike extension, extends from the traffic circle in Portsmouth, New Hampshire to Exit 18 in Milton, New Hampshire. It is 33.2 miles in length and is the major north-south artery connecting the three major urban centers on the eastern side of the State. This segment of the Turnpike System connects the Blue Star Turnpike (I-95) to Route 16 (the major roadway to northern New Hampshire in the eastern portion of the State). It also connects the major cities of Portsmouth, Dover and Rochester, as well as intersects with several major highways (Routes 4, 16 and 125). It has two toll plazas located in Dover and in Rochester, a maintenance facility located in Dover, and a park and ride facility at Exit 9 in Dover. Maintenance on the Spaulding Turnpike extension is provided by the Department of Transportation's Bureau of Highway Maintenance, which bills the Bureau of Turnpikes for the services. In addition, for the convenience of the Turnpike System patrons, park and picnic facilities are provided at Hilton Park in Dover.

The Central Turnpike (F.E. Everett)

The Central Turnpike, commonly known as the F.E. Everett Turnpike, extends from the Massachusetts state line in Nashua, New Hampshire to Exit 14 in Concord, New Hampshire. It is 39.5 miles in length and constitutes a portion of U.S. Interstate Highways 93 and 293. The Central Turnpike connects three urban centers in New Hampshire (the cities of Concord, Manchester, and Nashua). The route also intersects with the major east-west roads of Route 101, Route 4 and I-89. Six toll plazas are located on the Central Turnpike: two at Hooksett (main line and ramp), a main line plaza in Bedford, and ramp plazas at Bedford Road, Exit 11 and Merrimack Industrial Interchange, all in Merrimack. There are

maintenance facilities in Nashua, Merrimack and Hooksett. Park and ride facilities are provided in Hooksett and Nashua. In addition, two rest areas for information and rest room facilities are provided in Hooksett for the convenience of Turnpike System patrons. The Central Turnpike also had a Welcome Center at Exit 6 in Nashua, which was closed in November 2010 and reconstructed to provide a satellite Department of Safety, Division of Motor Vehicle office and an E-ZPass Walk-In-Center (WIC). Although bus service to Boston was available from this facility as well as from the park and ride at Exit 8, it is now available only at Exit 8 as both sites have been re-developed. The new bus station at Exit 8 was opened in December of 2010. The new satellite DMV office and E-ZPass WIC was opened in June 2011.

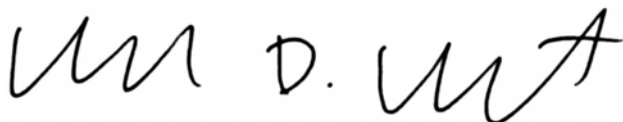
Hooksett Rest Area Redevelopment

In two successive transactions in June 2010, and June 2011, the Turnpike System purchased both the northbound and southbound land at the Hooksett Rest Area from the New Hampshire State Liquor Commission. The State Liquor Commission retained ownership of the land (approximately 20,000 square feet) beneath the liquor stores and the planned expansion of the liquor store buildings. This project proposes to redevelop the existing rest areas and State liquor stores, which are located north of the Hooksett Toll Plaza into new full service area facilities with new State liquor stores. A request for proposals (RFP) to procure a developer/operator through a ground lease arrangement was issued in March 2011 with the new service areas envisioned to offer major branded and/or locally recognized food concepts and anchored with new State liquor stores. Although these facilities are expected to be an attractive option for travelers on the Turnpike, the project is not expected to have an effect on traffic. Any potential added revenue to the Turnpike System was expected to be determined through the RFP process. In response to the RFP, one proposal was received that ultimately was determined to be inadequate and rejected by the Selection Committee. The Bureau is presently evaluating various redevelopment approaches. It is anticipated that the project will be re-started in the spring of 2012 with the issuance of a new RFP.

New Bridges

Two new bridges have been added to the Turnpike system as a result of the construction of the Manchester Airport Access Road improvements. The bridges carry the F. E. Everett Turnpike over the airport access road (just to the south of the Bedford Toll Plaza) and the Toll Plaza Access Road (which permits access to the Bedford Toll Plaza building) over the northbound on-ramp to the F. E. Everett Turnpike. The new structures were completed in the spring of 2011 and bring the total number of Turnpike bridges to 166; both bridges are located in Bedford.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. D. Clement, Sr.", written in a cursive style.

Christopher D. Clement, Sr.
Commissioner

THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION
ORGANIZATIONAL LISTING
STATE OF NEW HAMPSHIRE

Governor

John H. Lynch

Executive Council

Raymond S. Burton

Daniel St. Hilaire

Christopher T. Sununu

Raymond J. Wieczorek

David K. Wheeler

State Treasurer

Catherine A. Provencher

Secretary of State

William M. Gardner

Attorney General

Michael A. Delaney

NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION

Commissioner

Christopher D. Clement, Sr.

Assistant Commissioner

David J. Brillhart, P.E.

Deputy Commissioner

Michael P. Pillsbury, P.E.

Director of Operations

Lyle W. Knowlton, P.E.

Director of Finance

Patrick K. McKenna

Financial Reporting Administrator

Leonard L. Russell, CPA

Turnpike System Administrator

Christopher M. Waszczuk, P.E.

Turnpike System Assistant Administrators

John W. Corcoran, P.E. and David S. Smith, P.E.

Business Administrator

Margaret S. Blacker

Maintenance Superintendent

Dix E. Bailey

Project Managers

Harvey S. Goodwin, P.E. and Nasser Yari, P.E.



CHRISTOPHER D. CLEMENT, SR.
COMMISSIONER



JEFF BRILLHART, P.E.
ASSISTANT COMMISSIONER

December 29, 2011

**DEPARTMENT OF TRANSPORTATION
DIVISION of FINANCE
TRANSMITTAL LETTER**

The Turnpike System report is divided into four sections: Introductory, Financial, Other Supplementary Information and Statistical. The Introductory section includes a Turnpike System map, the Commissioner's letter, an organizational listing, and this transmittal letter. The Financial section contains the independent auditor's report, management's discussion and analysis (MD&A), and financial statements with accompanying notes. The Other Supplementary Information section includes a budget to actual schedule and note. The Statistical section includes other relevant financial and operational information.

Governmental Accounting Standards Board (GASB) Statement 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

The Turnpike System is also included within the State's Comprehensive Annual Financial Report. However, the report that follows presents all activities of the Turnpike System as a single enterprise fund and does not include data or information related to any other state agency or fund.

This Comprehensive Annual Financial Report (CAFR) may also be viewed on the State of New Hampshire Department of Transportation website located at <http://webster.state.nh.us/dot/media/publications.htm>.

Budgetary Process

The Turnpike System budget is prepared on a biennial basis. Prior to the start of each biennium, the Turnpike System is required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares a recommended budget. The budget is forwarded to the Legislature by February 15th of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is then forwarded to the Governor to be enacted into law or to be vetoed.

Budgetary control for the Turnpike System is with the Department of Transportation. The Department is authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Executive Council.

Internal Controls

The Department of Transportation Commissioner and Directors are responsible for administering the agency in accordance with legislative and executive directives, to effectively service the citizens of the state and its transportation system.

Financial transactions are recorded in the New Hampshire FIRST Enterprise Resource Planning (ERP) system. The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions.

Audits

The State of New Hampshire, Office of Legislative Budget Assistant, has performed an independent audit of the Turnpike System's basic financial statements for the fiscal year ended June 30, 2011.

This annual audit is independent of any review required by the Single Audit Act of 1984. The Single Audit Act established uniform financial audit requirements for State and local governments that expend \$500,000 or more in Federal assistance in any fiscal year.

Annual Report

Each year, the department publishes the New Hampshire Department of Transportation Annual Report, which contains a department-wide overview of all funds and all activities. This report contains information on operations, financial, and other non-financial data. A copy of the report may be obtained at the departments' web site at: <http://www.nh.gov/dot/media/publications.htm>.

Acknowledgements

In submitting this report, I acknowledge the cooperation and assistance of management and staff of the Department of Transportation, Turnpike System, and Division of Finance.

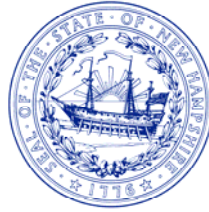
Respectfully submitted,


Patrick K. McKenna
Director of Finance

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FINANCIAL SECTION

This section includes the independent auditor's report, management's discussion and analysis, the financial statements as of and for the fiscal year ended June 30, 2011 and the accompanying notes to the financial statements.



JEFFRY A. PATTISON
Legislative Budget Assistant
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MICHAEL W. KANE, MPA
Deputy Legislative Budget Assistant
(603) 271-3161

State of New Hampshire
OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102

RICHARD J. MAHONEY, CPA
Director, Audit Division
(603) 271-2785

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying statement of net assets of the State of New Hampshire's Turnpike System (an enterprise fund of the State) as of June 30, 2011 and the related statements of revenues, expenses, and changes in net assets and cash flows for the fiscal year then ended. The financial statements are the responsibility of the Turnpike System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Turnpike System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the operations of the Turnpike System, an enterprise fund of the State, and do not purport to, and do not, present fairly the financial position of the State of New Hampshire as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Turnpike System as of June 30, 2011, and the results of its operations and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 16 through 20 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Turnpike System. The introductory, other supplementary information and statistical sections of this report are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011 on our consideration of the Turnpike System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, and contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

December 29, 2011

**New Hampshire Turnpike System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

The Management's Discussion and Analysis of the Turnpike System's financial performance provides an overview of financial activities for the fiscal year ended June 30, 2011. This section should be read in conjunction with the transmittal letter at the front of the Introductory Section and the Turnpike System financial statements, which follow this section.

Financial Highlights

- Total Operating Revenues (toll, transponders and miscellaneous) for the Turnpike System remained stable, increasing approximately \$285,000 or .2% in fiscal year 2011. Toll revenue (only) increased by \$623,000 or .54%.
- Operating expenses increased \$13.8 million to \$77.7 million or a 21.6% increase over prior year. This increase was primarily due to Renewal & Replacement (R&R) and Depreciation expense.
- Net Capital Assets increased to \$697 million or 11.0% over prior year. The primary increase was due to a 57.4% (or \$44.0 million) increase in Construction in Progress due to the construction of the second barrel on the Spaulding Turnpike and Exits 11 and 12.
- The Turnpike System at June 30, 2011 has a \$61.9 million General Reserve Account in Cash and Cash Equivalents intended for capital construction projects and I-95 Note Payable to the State Highway Fund.

Using this Report

The Turnpike System is accounted for as an enterprise fund, reporting all of the Turnpike System's financial activity, assets and liabilities using the accrual basis of accounting much like a private business entity. As such, this annual report consists of financial statements, along with explanatory notes to the financial statements. The Statement of Net Assets on page 22 and the Statement of Revenues, Expenses and Changes in Net Assets on page 23, report the Turnpike's net assets and changes in them. Lastly, the Statement of Cash Flows on page 24 outlines the cash inflows and outflows related to the activity of the Turnpike System.

| (I) Statement of Net Assets Summary | | (Amounts in thousands) | |
|--|---|------------------------|-------------------|
| | | 2011 | 2010 |
| <u>Assets:</u> | Current Assets | \$ 149,871 | \$ 192,818 |
| | Non-Current Assets, Bond Issue Costs | 3,056 | 3,250 |
| | Net Capital Assets | 696,666 | 627,845 |
| | Total Assets | 849,593 | 823,913 |
| <u>Liabilities:</u> | Current Liabilities | 62,356 | 55,548 |
| | Non-Current Liabilities | 401,838 | 441,992 |
| | Total Liabilities | 464,194 | 497,540 |
| <u>Net Assets:</u> | Invested in Capital Assets, Net of Related Debt | 259,448 | 157,894 |
| | Restricted for Debt Repayments | 44,885 | 48,418 |
| | Restricted for Construction & Uninsured Risks | 16,435 | 60,583 |
| | Unrestricted Net Assets | 64,631 | 59,478 |
| | Total Net Assets | \$ 385,399 | \$ 326,373 |

- Total assets increased 3.1% to \$849.6 million. Current assets decreased by \$42.9 million primarily due to the reduction in the Cash and Cash Equivalents-Restricted for capital construction projects. Capital Assets (less depreciation and amortization) increased approximately \$68.8 million or 11.0%. See Note 4 for detail on changes in Capital Asset activity and Note 11(b) for information on the Capital Improvement Program.

**New Hampshire Turnpike System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

- Total liabilities decreased 6.7% to \$464.2 million. Non-current liabilities decreased 9.1% to \$401.8 million primarily due to the principal payments made on the bonds and notes in 2011. See Note 8(b) for details in changes in non-current liabilities.
- Total net assets increased 18.1% to \$385.4 million. The increase in net assets is due mainly to the decrease in bonds and notes payable.
- Total liabilities of the Turnpike System decreased by \$33.3 million, or 6.7%, in fiscal year 2011. This is primarily attributed to the reductions in outstanding revenue bonds payable of \$16.8 million and the note payable of \$15.3 million in fiscal year 2011.

(II)

Current Liabilities

| | (Amounts in thousands) | |
|---|------------------------|------------------|
| | 2011 | 2010 |
| Accounts Payable | \$ 6,926 | \$ 6,547 |
| Due to Other Funds | | 45 |
| Accrued Payroll | 944 | 962 |
| Deferred Revenue | 7,814 | 7,475 |
| General Obligation Bonds Payable | | 584 |
| Revenue Bonds Payable | 17,020 | 17,150 |
| Note Payable to State Highway Fund | 23,317 | 15,350 |
| Accrued Interest Payable | 5,346 | 6,918 |
| Claims and Compensated Absences Payable | 680 | 457 |
| Other Liabilities | 309 | 60 |
| Total Current Liabilities | <u>\$ 62,356</u> | <u>\$ 55,548</u> |

- Current liabilities consist primarily of accrued operating expenses, deferred revenue, and the current portion of bonds and notes payable. The increase in current liabilities of \$6.8 million or 12.3% in fiscal year 2011 is largely due to the increase in the current portion of Note Payable to State Highway Fund of \$8.0 million that is related to the purchase of the I-95 Piscataqua River Bridge and 1.6 roadway miles.

(III)

Change in Net Assets

| | (Amounts in thousands) | |
|---|------------------------|-------------------|
| | 2011 | 2010 |
| Operating Revenue | \$ 118,688 | \$ 118,403 |
| Operating Expenses | (77,652) | (63,877) |
| Operating Income | <u>41,036</u> | <u>54,526</u> |
| Non-Operating (Expenses) | (13,515) | (138,633) |
| Change in Net Assets Before Capital Contributions | <u>27,521</u> | <u>(84,107)</u> |
| Capital Contributions | 31,505 | (406) |
| Change in Net Assets | <u>59,026</u> | <u>(84,513)</u> |
| Net Assets - July 1 | 326,373 | 410,886 |
| Net Assets - June 30 | <u>\$ 385,399</u> | <u>\$ 326,373</u> |

- The Turnpike System's primary revenues are generated from toll collections. The Central Turnpike generated net revenue of \$44.4 million; the Blue Star Turnpike \$57.9 million and the Spaulding Turnpike finished the year with \$14.4 million in net revenue. Another \$2.0 million was also generated in other income, including toll violation administrative fees, toll evasion fines, property damage reimbursement, and miscellaneous revenue, for combined toll operating revenue of approximately \$118.7 million for the year ended June 30, 2011.
- Operating expenses for the year increased approximately \$13.8 million or 21.6% over the previous year. This increase in operating expenses is largely due to: 1.) depreciation expense as a result of additional capital assets (infrastructure) and 2.) an increase in Renewal and Replacement (R&R) of \$6.5 million

**New Hampshire Turnpike System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

associated with deferred construction expenses and 3.) progression of additional projects under the R&R appropriations carried forward (non-lapsed funds) from prior years.

- Total non-operating revenues and expenses decreased approximately \$125.1 million or 90.3%. The net decrease from fiscal year 2010 was due to the expense recognized on three different capital asset transactions (I-95 bridge and 1.6 mile purchase, Hooksett Rest Area and Granite Street property purchase). In fiscal year 2011, only one property, Hooksett Rest Area resulted in an additional purchase transaction of \$2.082 million.

Capital Improvement Program

The ten-year capital improvement program, adopted by the Legislature in 1986 and amended through 2010, includes specific components relating to the Turnpike System. This program is intended to improve the safety of the Turnpike System and increase its capacity. It is updated every two years to address changing priorities. Depending on the scheduling of projects and availability of funding (e.g. excess toll revenues, bond proceeds), the Turnpike System capital improvement program expenditures during the ten-year plan period of 2011 – 2020 are expected to be in the range of \$560 – \$580 million

Turnpike System Revenue and Traffic Trends

During the twelve months ended on June 30, 2011, the number of traffic transactions processed through the E-ZPass program was 64.1% of the total transactions. The Hampton Open Road Tolling (ORT) plaza led the growth on the system reflecting a 3.8% change (from 58.8% in fiscal year 2010 to 62.6% in fiscal year 2011) in E-ZPass utilization over the previous fiscal year.

Effective July 1, 2009, the Governor and Council approved a toll increase at the Hampton Mainline of \$0.50 for single rear tire vehicles (classes 1-4) and by \$1.00 for dual rear tire vehicles (classes 5-12), in accordance with State laws RSA 237:9 and RSA 237:40.

In accordance with Chapter 143, Laws of 2009, the toll rate increase provided additional funds for the Turnpike System to acquire a bridge and 1.6-mile section of I-95 from the Portsmouth traffic circle to New Hampshire/Maine state-line and to implement ORT at Hampton. The toll rate increase also supports capacity improvements to the bridge carrying NH 107 over I-95 in Seabrook and the construction of a sound wall along I-95 in Portsmouth.

Maintenance of the Turnpike System

The Turnpike System (other than the Spaulding Turnpike extension, for which the Turnpike System is billed for maintenance performed by the Bureau of Highway Maintenance) is maintained and repaired by the Bureau of Turnpikes of the State Department of Transportation. All maintenance and repair costs have been funded from Turnpike operating revenues since the beginning of the Turnpike System in 1950. In addition, the State law RSA 237:15 authorizes the Turnpike System to set up an account to finance extension studies, maintenance, construction, reconstruction and extensions of the Turnpike System wherever located, interest on bonded indebtedness or retirement of bonded indebtedness or other costs which may be properly charged against these accounts or to the New Hampshire Turnpike System.

HNTB Corporation (HNTB), an independent engineer group, conducted an infrastructure study of the Turnpike System to assist in planning for future R&R needs. In the report, HNTB concluded that the Turnpike System has been adequately maintained through October 2006, the date of its report. However, due to the delayed R&R spending in FY 2005 and 2006 and due to the increased costs of materials, the level of expenditure going forward should be greater than that which had been previously planned. The Turnpike System concurred with HNTB's recommendations and increased the R&R budget for 2008 and 2009 to \$8.3 million and \$10.0 million, respectively.

For fiscal year 2010 and 2011, the Turnpike System actual expenses for R&R were \$7.8 million and \$14.3 million, respectively. For the fiscal years 2012 and 2013, taking into account the analysis conducted by HNTB, the budget is \$9.2 million and \$9.8 million respectively for R&R, with major expenditures for resurfacing, bridge rehabilitation, bridge painting, major sign rehabilitation, and toll plaza canopy repairs.

Appropriations for R&R expenditures do not lapse and are carried forward and made available in subsequent years.

**New Hampshire Turnpike System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Winter Maintenance

Looking to enhance its anti-icing efforts, the Turnpikes System last winter began “pre-treating” roads through the use of brine, a water-salt mixture, and “pre-wetting” salt with anti-icing liquids to activate the salt more quickly, as well as reducing the bounce of the salt on the road surfaces. The Hampton maintenance facility was set up to make the brine with the installation of six 5,500-gallon storage tanks and brine-making equipment. A 3,000-gallon batch of brine can be made in about an hour. The brine pre-treating approach was used on I-95 (Blue Star Turnpike) and a lower section of the Spaulding Turnpike south of the Dover Tolls. The goals of using brine include safer roads, less environmental impact and reduced costs. Once fully implemented, it is anticipated that a savings of 20 – 25% or \$250 thousand annually will result from less salt usage. An additional brine manufacturing site is planned for the Merrimack maintenance facility in the near future. The “pre-wetting” of salt involves a blend of 80% salt brine and 20% “Ice B’Gone”, a product made primarily of magnesium chloride and high fructose corn syrup. The Turnpike System also purchased a snow-blowing attachment for a front-end loader to clear snow from the 2,000-foot ORT lanes at the Hampton Tolls. The “Wasau-Everest WK-900” snow remover is capable of removing up to 1,500 tons of snow per hour, or approximately 20 tons per minute. During one clean-up effort, maintenance crews working at night filled 124 truckloads of snow, with each truck being filled in just over two minutes.

Recent GASB Pronouncements

Disclosures Related to Future Revenues That Are Pledged or Sold

The Governmental Accounting Standards Board (GASB) issued statement Number 48—Disclosures Related to Future Revenues That Are Pledged or Sold. This Statement makes a basic distinction between sales of receivables and future revenues on one hand and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing) on the other. By covenant, revenues received are pledged to secure the payment of the principal or redemption price of and interest on the bonds and the performance of the undertakings of the State in the Resolution, subject only to the application of revenues for the payment of operating expenses in accordance with the terms of the Resolution. This Standard has been implemented in fiscal year 2011 and prior years by covenant. See Note 12.

Pollution Remediation Obligations

The Governmental Accounting Standards Board (GASB) issued statement Number 49—Accounting and Financial Reporting for Pollution and Remediation Obligations. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For example, obligations to clean up spills of hazardous wastes or hazardous substances and obligations to remove contamination such as asbestos are pollution remediation obligations. The scope of this pronouncement excludes pollution prevention or control obligations with respect to current operations, future pollution remediation activities that are required for current operations and future pollution remediation activities that are required upon retirement of an asset. Pollution remediation obligations do not include pollution prevention or control obligations with respect to current operations or fines, penalties and other non-remediation outlays. This Standard was implemented during fiscal year 2009. See Note 13.

Reporting for Intangible Assets

The Governmental Accounting Standards Board (GASB) issued statement Number 51—Accounting and Financial Reporting for Intangible Assets. This Statement requires governments to classify all intangible assets subject to this statement as capital assets. Intangible capital assets include: Computer Software and Easements (such as drainage, slope construction, and utility). This Standard was implemented during fiscal year 2010. See Note 14.

Budget and Appropriation Process

The Legislature meets annually, and adopts its budget every other year on a biennial basis. Prior to the beginning of each biennium, all departments of the State, including the Department of Transportation, are required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital expenditures, as well as estimates of their administration, operation and maintenance expenditure requirements for each fiscal year of the ensuing biennium.

**New Hampshire Turnpike System
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

As a Bureau of the State of New Hampshire Department of Transportation, the Turnpike System is included in the State of New Hampshire's biennial operating budget. The Turnpike System's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis. The Turnpike System's budget consists primarily of salaries and benefits, maintenance, and expenses relative to snow removal and debt service.

The Commissioner of the Department of Administrative Services, who submits the summary to the Governor, summarizes capital expenditure requests. After holding public hearings and requesting further evaluation of selected projects by the Commissioner of the Department of Transportation, the Governor prepares a capital budget for submission to the Legislature.

In conjunction with the receipt of operating budget estimates, the Commissioner of the Department of Administrative Services prepares an estimate of the total income of the State for each fiscal year of the ensuing biennium. Based upon the expenditure estimates the Commissioner has received and the revenue projections the Commissioner has made, the Commissioner prepares a tentative budget for the ensuing biennium, which is transmitted to the Governor. The Governor then holds public hearings on the tentative operating budget and prepares the final budget proposal for submission to the Legislature setting forth the Governor's financial program for the upcoming two fiscal years.

Once the budget becomes law, it represents the authorization for spending levels of each department of the State during the next two fiscal years.

Contacting the Turnpike System's Financial Management

This financial report is designed to provide New Hampshire citizens, the Legislature and the Executive Branch of government, as well as other interested parties, a general overview of the Turnpike System's financial activity for fiscal year 2011 and to demonstrate the Turnpike System's accountability for the revenue it received from toll collections. If there are questions about this report or the need for additional information, contact the New Hampshire Department of Transportation, Division of Finance, John O. Morton Building, 7 Hazen Drive, Concord, NH 03302-0483.

BASIC FINANCIAL STATEMENTS

STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM
STATEMENT OF NET ASSETS
June 30, 2011
(Amounts in thousands)

ASSETS

Current Assets:

| | |
|--|----------------|
| Cash and Cash Equivalents | \$ 82,083 |
| Cash and Cash Equivalents – Restricted | 61,320 |
| Accounts Receivable (Net of Allowances for Uncollectibles) | 4,561 |
| Due from Other Funds | 18 |
| Inventories | 1,780 |
| Prepaid Assets | 109 |
| Total Current Assets | <u>149,871</u> |

Non-current Assets:

| | |
|---------------------------------|------------------|
| Bond Issue Costs | 3,056 |
| Capital Assets: | |
| Land | 108,783 |
| Buildings | 6,994 |
| Equipment and Computer Software | 37,372 |
| Construction in Progress | 120,785 |
| Infrastructure | 713,456 |
| Less: Accumulated Depreciation | <u>(290,724)</u> |
| Net Capital Assets | <u>696,666</u> |
| Total Non-current Assets | <u>699,722</u> |

| | |
|---------------------|-----------------------|
| Total Assets | <u><u>849,593</u></u> |
|---------------------|-----------------------|

LIABILITIES

Current Liabilities:

| | |
|---|---------------|
| Accounts Payable | 6,926 |
| Accrued Payroll | 944 |
| Deferred Revenue | 7,814 |
| Revenue Bonds Payable | 17,020 |
| Note Payable to State Highway Fund | 23,317 |
| Accrued Interest Payable | 5,346 |
| Claims and Compensated Absences Payable | 680 |
| Other Liabilities | 309 |
| Total Current Liabilities | <u>62,356</u> |

Non-current Liabilities:

| | |
|--|----------------|
| Revenue Bonds Payable (Net of Unamortized Premium) | 344,420 |
| Note Payable to State Highway Fund | 52,461 |
| Claims and Compensated Absences Payable | 2,387 |
| Other Non-current Liabilities | 2,570 |
| Total Non-current Liabilities | <u>401,838</u> |

| | |
|--------------------------|-----------------------|
| Total Liabilities | <u><u>464,194</u></u> |
|--------------------------|-----------------------|

NET ASSETS

| | |
|--|---------|
| Invested in Capital Assets (Net of Related Debt) | 259,448 |
| Restricted for Debt Repayments | 44,885 |
| Restricted for Construction | 13,434 |
| Restricted for Uninsured Risks | 3,001 |
| Unrestricted Net Assets | 64,631 |

| | |
|-------------------------|--------------------------|
| Total Net Assets | <u><u>\$ 385,399</u></u> |
|-------------------------|--------------------------|

See accompanying notes to financial statements.

STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011
(Amounts in thousands)

OPERATING REVENUES

| | |
|------------------------------|-----------|
| Toll Revenue - Cash | \$ 44,873 |
| Toll Revenue - E-ZPass | 71,786 |
| Other Toll Operating Revenue | 1,202 |
| Transponder Revenue | 827 |

| | |
|---------------------------------|----------------|
| Total Operating Revenues | 118,688 |
|---------------------------------|----------------|

OPERATING EXPENSES

| | |
|-----------------------------|--------|
| Personnel Services | 11,438 |
| Payroll Benefits | 5,611 |
| Enforcement | 4,926 |
| Renewal & Replacement | 14,309 |
| Supplies, Materials & Other | 3,861 |
| Equipment & Repairs | 3,261 |
| Indirect Costs | 2,058 |
| Heat, Light and Power | 1,317 |
| Bank & Credit Card Fees | 2,293 |
| Rentals | 1,013 |
| E-ZPass Processing Fees | 5,771 |
| Transponder Expense | 790 |
| Depreciation | 21,004 |

| | |
|---------------------------------|---------------|
| Total Operating Expenses | 77,652 |
|---------------------------------|---------------|

| | |
|------------------|--------|
| Operating Income | 41,036 |
|------------------|--------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|--|----------|
| Investment Income | 164 |
| Miscellaneous Income | 3,589 |
| Intra-entity Acquisition of Land and Improvements from Another State Agency | (2,082) |
| Loss on the Sale of Property | (166) |
| Interest on Bonds and Note | (14,792) |
| Amortization on Bond Issuance Costs | (228) |

| | |
|--|-----------------|
| Total Non-Operating Revenues (Expenses) | (13,515) |
|--|-----------------|

| | |
|--|---------------|
| Change in Net Assets Before Capital Contributions | 27,521 |
|--|---------------|

| | |
|-----------------------|--------|
| Capital Contributions | 31,505 |
|-----------------------|--------|

| | |
|-----------------------------|---------------|
| Change in Net Assets | 59,026 |
|-----------------------------|---------------|

| | |
|----------------------------|----------------|
| <i>Net Assets - July 1</i> | <i>326,373</i> |
|----------------------------|----------------|

| | |
|-----------------------------|--------------------------|
| <i>Net Assets - June 30</i> | <i><u>\$ 385,399</u></i> |
|-----------------------------|--------------------------|

See accompanying notes to financial statements.

STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011
(Amounts in thousands)

Cash Flows from Operating Activities

| | |
|---|---------------|
| Receipts from Customers | \$ 119,776 |
| Payments to Employees | (16,998) |
| Payments to Suppliers | (42,409) |
| Net Cash Provided by Operating Activities | <u>60,369</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|------------------|
| Acquisition and Construction of Capital Assets | (70,369) |
| Capital Contributions | 14,396 |
| Interest Paid on Revenue and General Obligation Bonds and Note Payable | (13,267) |
| Principal Paid on Bonds | (17,384) |
| Principal Paid on Note Payable Due Highway Fund | (15,349) |
| Intra-entity Acquisition of Land and Improvements from Another State Agency | <u>(2,082)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(104,055)</u> |

Cash Flows from Investing Activities

| | |
|---|------------|
| Sale of Investments | 139,670 |
| Purchase of Investments | (139,670) |
| Other Income | <u>622</u> |
| Net Cash Provided by Investing Activities | <u>622</u> |

| | |
|---|-----------------|
| Net Decrease in Cash and Cash Equivalents | <u>(43,064)</u> |
|---|-----------------|

| | |
|------------------------------------|----------------|
| Cash and Cash Equivalents - July 1 | <u>186,467</u> |
|------------------------------------|----------------|

| | |
|-------------------------------------|-----------------------|
| Cash and Cash Equivalents - June 30 | <u><u>143,403</u></u> |
|-------------------------------------|-----------------------|

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

| | |
|---|-------------------------|
| Operating Income | 41,036 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 21,004 |
| Change in Operating Assets and Liabilities: | |
| Decrease in Receivables | 749 |
| Increase in Inventories | (853) |
| Increase in Accounts Payable and Other Accruals | (1,906) |
| Increase in Deferred Revenue | <u>339</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 60,369</u></u> |

See accompanying notes to financial statements.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1) Summary of Significant Accounting Policies

The accompanying financial statements of the Turnpike System have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

(a) Financial Reporting Entity

The New Hampshire Turnpike System ("the Turnpike System") is a Bureau within the Division of Operations of the State of New Hampshire Department of Transportation. The Turnpike System is reported as an enterprise fund of the State of New Hampshire ("the State") and is included in the Comprehensive Annual Financial Report (CAFR) of the State. The Turnpike System itself has no component units included in its reporting entity. The Turnpike System constructs, maintains, and operates toll transaction facilities and issues revenue bonds, which are repaid from tolls and other revenues. Under the provisions of New Hampshire Revised Statutes Annotated (RSA) 240, as amended by the Legislature, established a ten-year highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. RSA 237-A:2 authorized the issuance of \$766 million of revenue bonds to fund these projects.

(b) Measurement Focus and Basis of Accounting

The accounting policies of the Turnpike System conform to GAAP as applicable to government enterprise funds and, as such, the activities of the Turnpike System are reported using the economic resources, measurement focus and accrual basis of accounting. With respect to these activities, the Turnpike System has adopted applicable GASB pronouncements. The Turnpike System has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(c) Restricted Assets

The proceeds of the Turnpike System Revenue Bonds, as well as certain resources set aside for their repayment (Revenue Bond Interest, Principal, and Debt Service Reserve Accounts) are classified as restricted assets on the Statement of Net Assets because their use is limited by a bond resolution.

(d) Accounts Receivable

Receivables primarily consist of outstanding E-ZPass toll violation administrative fees and E-ZPass reciprocity receipts. The accounts receivable balance as of June 30, 2011 is net of a \$1.9 million Allowances for Uncollectibles, which represents an estimate of uncollectible toll violation fees.

(e) Cash Equivalents

Cash equivalents represent short-term investments with maturity dates within three months of the date acquired.

(f) Capital Assets

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets which are as follows: infrastructure – 50 years; buildings – 40 years; toll equipment – 10 years; and other equipment – 5 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets purchased or constructed by other funding sources are recorded at cost.

(g) Revenue Bond Discounts/Premiums and Issuance Costs

Revenue bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred costs.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

(h) Compensated Absences

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year. The State's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments rather than be taken as absences due to illness.

(i) Net Assets

The Invested in Capital Assets (Net of Related Debt) is a balance comprised of the capital assets (net of Accumulated Depreciation) less total Bonds Payable (net of amortized premium, discount and loss on refunding). Restricted for Debt Repayments are the Revenue Bond Interest, Principal, and Debt Service Reserve Accounts. Other restricted accounts include Revenue Bond Cash Construction Account and Revenue Bond Insurance Reserve Account. The Unrestricted Net Assets is the remaining balance.

(j) Revenues and Expenses

Revenues and expenses are classified as operating or non-operating. Operating revenues and expenses generally result from toll collections, the sale of transponders, toll violation administrative fees, administration, depreciation, and turnpike maintenance. Generally, all other revenues and expenses are reported as non-operating. Non-operating revenue generally results from the interest on investments, rental income, sales of land and equipment, and vending machine sales.

(k) E-ZPass Program

Upon enrolling in the E-ZPass program, participants establish pre-paid toll accounts. These pre-paid toll receipts are collected by Affiliated Computer Services (ACS), on behalf of the Turnpike System and recorded by the Turnpike System as deferred revenue until the customer completes a toll transaction. Once this occurs, revenue is recorded and the customer's account is charged. Vehicle transponders, which serve to identify the vehicles passing through the toll plazas, are purchased by the Turnpike System and shipped to customers by ACS. The sale price a customer is charged for a transponder is the same approximate cost to the Turnpike System.

(l) Inventory

Inventories for materials and supplies are valued at cost. Included in the inventory amount are E-ZPass transponders. They are received and stored at the E-ZPass Customer Service Center, by ACS, located in New Jersey and at walk-in E-ZPass Service Centers located in New Hampshire. Transponder inventories are reported monthly.

(m) Capital Contributions

The Turnpike System receives Federal Highway Administration (FHWA) grants through the State's Highway Fund for capital improvements, exclusive of R & R expenses. These are classified as Capital Contributions.

In fiscal year 2011, a replacement bridge completed in fiscal year 2001 located at exit 13 of the Turnpike System in Concord, previously recorded as a non-Turnpike infrastructure asset, was transferred from the State Highway Fund and reclassified to the Turnpike System at a net carrying cost of \$13.8 million (\$17.2 million less accumulated depreciation of \$3.4 million).

(n) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2) Cash and Cash Equivalents

Except for cash and investment accounts maintained separately in accordance with legal restrictions, the State pools cash and investments. The Turnpike System's share of the total pooled cash and investments and restricted assets is included on the balance sheet as "Cash and Cash Equivalents".

Deposits – The following statutory requirements and State Treasury policies have been adopted to minimize risk associated with deposits:

- State law RSA 6:7 established the policy the State Treasurer must adhere to when depositing public monies.
- Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

Custodial Credit Risk: The custodial risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered.

Custodial credit risk is managed in a variety of ways. Although State law does not require deposits to be collateralized, the Treasurer does utilize such arrangements where prudent and/or cost effective. All banks, where the State has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk. The Governor and Executive Council must approve all depositories used by the State at least annually. All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

The State does not hold any assets for the Turnpike System that is denominated in foreign currencies. Therefore, foreign currency risk is nonexistent.

As of June 30, 2011, the Turnpike System's bank balances exposed to custodial credit risk is as follows:

(Amounts in thousands)

| Type | Insured | Collateralized and Held in State's Name | Un-collateralized | Total |
|-------------------------|-----------|---|-------------------|------------|
| Certificates of Deposit | \$ 0 | \$ 5,002 | \$ 0 | \$ 5,002 |
| Demand Deposits | 18,727 | | | 18,727 |
| Money Market | | 59,701 | 51,932 | 111,633 |
| Total | \$ 18,727 | \$ 64,703 | \$ 51,932 | \$ 135,362 |

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The provisions are effective from December 31, 2010 to December 31, 2012. Therefore, the majority of State deposits are insured at June 30, 2011.

At June 30, 2011 the Turnpike System owned \$6.955 million Federal Home Loan Bank note that matured on July 20, 2011. Accordingly, it is included in cash and cash equivalents on the Statement of Net Assets.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3) Restricted Assets

The resolutions of the Turnpike System revenue bonds require the Turnpike System to maintain certain accounts (below). The Turnpike System deposits all revenues into a Turnpike System revenue account, which are then applied first to the payment of operating expenses and then to fund accounts required by the resolutions.

Restricted assets at fair market value are segregated into the following accounts as of June 30, 2011:

| | |
|---|-----------|
| (Amounts in thousands) | |
| Revenue Bond Cash Construction Account | \$ 13,434 |
| Revenue Bond Interest Debt Service Account | 4,021 |
| Revenue Bond Principal Debt Service Account | 6,487 |
| Revenue Bond Debt Service Reserve Account | 34,377 |
| Revenue Bond Insurance Reserve Account | 3,001 |
| Total Restricted Assets | \$ 61,320 |

The Revenue Bond Cash Construction Account is used to report the available balance of the bond proceeds. Payments made from this account cover the projects costs of the respective projects for which the bonds were issued. The Revenue Bond Interest Debt Service Account and Revenue Bond Principal Debt Service Account are used to segregate resources accumulated for debt service payments on given maturity dates. See Note 8(c), Bonds-Debt Maturity. The Revenue Bond Debt Service Reserve Account is used to report resources set aside to make up potential future deficiencies in the Revenue Bond Interest Debt Service Account and Revenue Bond Principal Debt Service Account. The November 2009 net bond proceeds were \$140.9 million. The proceeds were derived from a total issue of \$150.0 million less \$7.9 million for the debt service reserve and less the \$1.2 million for bond issue costs. Bond proceeds of \$127.5 million were spent through June 30, 2011. The Revenue Bond Insurance Reserve Account is used to report the amount that is available to insure against risks that would otherwise be covered by policies of insurance. Approximately \$61.9 million of Cash and Cash Equivalents at June 30, 2011 is in a General Reserve Account intended to be used for capital construction projects and I-95 Note Payable to the State Highway Fund.

In addition to the above accounts, a Revenue Bond Special Redemption Account would be used to report any monies not otherwise required by the bond resolution to be deposited or applied, including excess proceeds after the completion of a project. A Revenue Bond Rebate Account also would be used to report any excess of interest earned on non-purpose investments (as defined in section 148 of the Internal Revenue Code of 1986, as amended).

JP Morgan Chase Bank, N.A., pursuant to a 1995 agreement which expires April 1, 2020, owns the exclusive right, to deliver eligible securities as an investment of a portion of the monthly deposits to the Revenue Bond Interest and Principal Debt Service Accounts.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4) Capital Assets

Capital Asset activity for the year ended June 30, 2011 was as follows:

(Amounts in thousands)

| | Beginning | | | | Ending |
|--|------------------|------------------|------------------|------------------|----------------|
| | Balance | Increases | Decreases | Transfers | Balance |
| Capital Assets not Being Depreciated: | | | | | |
| Land and Land Improvements | \$ 108,751 | \$ 35 | \$ 0 | \$ (3) | \$ 108,783 |
| Construction in Progress | 76,758 | 71,933 | (1,070) | (26,836) | 120,785 |
| Total Capital Assets not Being Depreciated | 185,509 | 71,968 | (1,070) | (26,839) | 229,568 |
| Other Capital Assets: | | | | | |
| Equipment | 37,167 | 1,198 | (993) | | 37,372 |
| Buildings and Building Improvements | 4,831 | 1,216 | | 947 | 6,994 |
| Infrastructure | 671,146 | | (313) | 42,623 | 713,456 |
| Subtotal Other Capital Assets | 713,144 | 2,414 | (1,306) | 43,570 | 757,822 |
| Total Capital Assets | 898,653 | 74,382 | (2,376) | 16,731 | 987,390 |
| Less Accumulated Depreciation for: | | | | | |
| Equipment | (26,545) | (3,209) | 993 | | (28,761) |
| Buildings and Building Improvements | (2,964) | 23 | | (237) | (3,178) |
| Infrastructure | (241,299) | (14,371) | 95 | (3,210) | (258,785) |
| Total Accumulated Depreciation | (270,808) | (17,557) | 1,088 | (3,447) | (290,724) |
| Net Capital Assets | \$ 627,845 | \$ 56,825 | \$ (1,288) | \$ 13,284 | \$ 696,666 |

In fiscal year 2010, the Turnpike System recorded the purchase of the North and South Bound Hooksett Rest Areas from the New Hampshire State Liquor Commission which resulted in an intra-entity expense of \$6.2 million, and increased the land (Capital Asset) by \$300,000.

In fiscal year 2011, a subsequent conceptual design from HNTB depicting fuller utilization of the parcel than originally intended in the independent appraisal and based upon a subsequent review appraisal obtained by the State Liquor Commission, increased the land value associated with the Hooksett Rest Areas by an additional \$2.082 million. As a result, a fiscal year 2011 cash payment for this amount was made from the Turnpike System to the State Liquor Commission.

At June 30, 2011, the Turnpike System had contractual commitments for capital Turnpike System improvement projects of \$50.2 million.

In accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, interest is capitalized on fixed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. In fiscal year 2011, interest cost that was capitalized amounted to \$8.9 million, net of \$2,043 in interest income.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5) Inter-fund Activity

In fiscal year 2011, expenses were incurred due to work performed by other state agencies for the Turnpike System. Enforcement expenses of \$4.9 million from the Department of Safety, and bridge maintenance, sign crew, pavement marking and mechanical services from the Department of Transportation Highway Bureau of \$1.1 million, accounted for the majority of inter-fund activity.

Note 6) Deferred Revenue

Deferred revenue consists of prepaid toll monies received from customers on their transponder accounts. Revenue is recognized when the customer uses the E-ZPass toll system on the turnpike.

Note 7) Operating and Capital Leases

The Turnpike System had no operating or capital leases for the fiscal year.

Note 8) Non-current Liabilities

(a) Bonds Authorized and Un-issued

Bonds authorized and un-issued amounted to \$221.0 million of revenue bonds at June 30, 2011. The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Governor and Executive Council to issue up to \$766.0 million of bonds to support this plan. As of June 30, 2011, the State had issued \$545.0 million of revenue bonds for this plan.

Also, in November 2009, the Turnpike System issued \$150.0 million of new American Recovery and Reinvestment Act (ARRA) - Build America Bonds. This program provides a subsidy to the Turnpike System through the State, on interest paid, which is taxable to the bond investors. Proceeds from the November 2009 ARRA bonds issuance are restricted to only fund costs on the following capital projects:

Central Turnpike

- Engineering and construction of a bridge over the Souhegan River in Merrimack.
- Engineering, right-of-way acquisition, and construction of US Route 3 bridge in Bedford.
- Engineering and rehabilitation of four I-93 bridges in Bow and Concord.
- Engineering and construction, specifically on five bridges through the Millyard area of Manchester.
- Engineering and construction of a bridge over Black Brook in Manchester.

Spaulding Turnpike

- Engineering, right-of-way acquisition and construction in Rochester between Exits 11 through 16 with two additional lanes of travel added from Exit 12 to 16 (totaling approximately 7 new lane miles).
- Engineering and right-of-way acquisition in Newington and Dover including widening Little Bay Bridges and reconstructing a section in Newington.
- Construction of the Dover portion of the Spaulding Turnpike and rehabilitation of the General Sullivan Bridge in Dover.

Blue Star Turnpike

- Engineering and construction of the bridge carrying I-95 over the Taylor River.
- Repair and improve bridge on US Route 107 over I-95 in Seabrook.
- Construction of a sound-wall on I-95 in Portsmouth.

System-wide

- Implementation of Open Road Tolling at the Town of Hampton (complete and open to traffic), Hooksett and Bedford.

As of June 30, 2011, cash and cash equivalents-restricted included \$13.4 million of ARRA (Build America Bonds) revenue bond proceeds.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Bond ratings assigned to the Turnpike System are as follows:

- Fitch Ratings ~ A (stable)
- Moody's Investors Service ~ A1 (positive)
- Standards & Poor's ~ A+ (stable)

(b) Changes in Non-current Liabilities

The following is a summary of the changes in liabilities for bonds, compensated absences, and uninsured claims during the fiscal year:

(Amounts in thousands)

| Turnpike System | Beginning Balance | Increases | Decreases | Ending Balance | Current | Long-Term |
|---|-------------------|-----------|-------------|----------------|-----------|------------|
| General Obligation Bonds | \$ 584 | \$ 0 | \$ (584) | \$ 0 | \$ 0 | \$ 0 |
| Note Payable to State Highway Fund | 91,127 | | (15,349) | 75,778 | 23,317 | 52,461 |
| Claims and Compensated Absences Payable | 3,003 | 1,314 | (1,250) | 3,067 | 680 | 2,387 |
| Revenue Bonds Payable (Net of Unamortized Amount) | 378,240 | | (16,800) | 361,440 | 17,020 | 344,420 |
| Other Liabilities, Pollution Remediation | 2,579 | 471 | (171) | 2,879 | 309 | 2,570 |
| Total | \$ 475,533 | \$ 1,785 | \$ (34,154) | \$ 443,164 | \$ 41,326 | \$ 401,838 |

(c) Bonds - Debt Maturity

Bonds of the Turnpike System consist of revenue bonds (including ARRA Bonds). Interest rates on Turnpike System revenue bonds range from 2.9% to 6.3%. The annual maturities are as follows:

(Amounts in thousands)

| Payable Fiscal Year | Revenue Principal | Revenue Interest | Revenue Interest Rebate | Net Interest | Total Principal | Total Interest |
|-------------------------------|-------------------|------------------|-------------------------|--------------|-----------------|----------------|
| 2012 | \$ 17,020 | \$ 18,961 | \$ (3,131) | \$ 15,830 | \$ 17,020 | \$ 18,961 |
| 2013 | 19,460 | 18,196 | (3,131) | 15,065 | 19,460 | 18,196 |
| 2014 | 16,460 | 17,262 | (3,131) | 14,131 | 16,460 | 17,262 |
| 2015 | 21,690 | 16,476 | (3,131) | 13,345 | 21,690 | 16,476 |
| 2016 | 18,330 | 15,426 | (3,131) | 12,295 | 18,330 | 15,426 |
| 2017 thru 2021 | 97,020 | 62,110 | (15,653) | 46,457 | 97,020 | 62,110 |
| 2022 thru 2026 | 59,960 | 42,156 | (14,048) | 28,108 | 59,960 | 42,156 |
| 2027 thru 2031 | 44,955 | 25,979 | (9,093) | 16,886 | 44,955 | 25,979 |
| 2032 thru 2036 | 34,135 | 14,677 | (5,137) | 9,540 | 34,135 | 14,677 |
| 2037 thru 2041 | 31,665 | 3,903 | (1,365) | 2,538 | 31,665 | 3,902 |
| Subtotal | 360,695 | 235,146 | (60,951) | 174,195 | 360,695 | 235,146 |
| Unamortized Premium | 9,612 | | | | 9,612 | |
| Unamortized Loss on Refunding | (8,867) | | | | (8,867) | |
| Total | \$ 361,440 | \$ 235,146 | \$ (60,951) | \$ 174,195 | \$ 361,440 | \$ 235,146 |

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

(d) Revenue Bond Resolutions

All revenue bonds are secured by a pledge of substantially all Turnpike System revenues and monies deposited into accounts created by the bond resolutions, subject only to the payment of operating expenses.

The bond resolutions require the Turnpike System to establish and collect tolls which are adequate at all times, when combined with other available sources of revenues, to provide for the proper operation and maintenance of the Turnpike System and for the timely payment of the principal and interest on all bonds, notes or other evidences of indebtedness.

The resolutions further require the Turnpike System to collect sufficient tolls so that in each fiscal year net revenues as defined by the resolutions will be at least equal to the greater of: (a) 120% of current year debt service on the revenue bonds, or (b) 100% of current year debt service on the revenue bonds and on all general obligation or other bonds, notes or other indebtedness, and the additional amount, if any, required to be paid from the revenue bond general reserve account to satisfy the R&R requirement for the fiscal year.

The resolutions further require for the Turnpike System to request payment from the Revenue Bond Construction Account. An Authorized Officer shall sign a written order and file the request with the Treasurer.

The Turnpike System is required to review the adequacy of its tolls after each fiscal year. If this review indicates that the tolls and charges are, or will be, insufficient to meet the requirements described above, then the Independent Engineer of the Turnpike System will make a study and recommend a schedule of tolls and charges which will provide revenues sufficient to comply with the requirements described above. For fiscal year 2011, the toll rate schedule was deemed to be sufficient to meet all required payments in connection with the Turnpike System, and as such, no Independent Engineer's study was sought.

The resolutions establish an R&R requirement with respect to each fiscal year. R&R costs consist of rehabilitation, renewals, replacements, and extraordinary repairs necessary for the sound operation of the Turnpike System or to prevent loss of revenues, but not costs associated with new construction, additions or extensions.

The Turnpike System has complied with all of its material financial bond covenants as set forth in the resolutions, except for timely transfers to the Turnpike System Revenue Bond Debt Service Account and the utilization of a General Reserve account during the first 10 months of fiscal year 2011.

(e) Note Payable to State Highway Fund - Debt Maturity

In order to acquire the bridge and 1.6-mile segment of I-95 owned by the State Highway Fund, the Turnpike System executed a Long-Term Note Payable with payments to be made to the State Highway Fund. Interest is at the State's borrowing rate over a maximum period of 20 years. The State interest rate in effect at June 30, 2011 on the note was 4%. However, under the terms of the note and as prescribed by law, the Commissioner of Transportation and the State Treasurer may agree from time to time to modify the payment schedule with respect to payments due to the State Highway Fund from and after July 1, 2011. In fiscal year 2011, the Commissioner and Treasurer did agree to such a modification of the payment schedule. The revised annual maturities are as follows:

(Amounts in thousands)

| Payable Fiscal Year | Principal | Interest | Total |
|----------------------------|------------------|-----------------|------------------|
| 2012 | \$ 23,317 | \$ 2,684 | \$ 26,001 |
| 2013 | 24,262 | 1,738 | 26,000 |
| 2014 | 4,814 | 1,056 | 5,870 |
| 2015 | 5,009 | 861 | 5,870 |
| 2016 | 5,213 | 657 | 5,870 |
| 2017 thru 2019 | 13,163 | 699 | 13,862 |
| Total | \$ 75,778 | \$ 7,695 | \$ 83,473 |

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

During fiscal year 2011, a note payment of \$20.0 million was made to the State Highway Fund. For each of the fiscal years 2012 and 2013, the note payment to the State Highway Fund is budgeted at \$26 million annually.

(f) Revenue Bond Refunding

On July 27, 2011, the State issued \$42.1 million of Turnpike System revenue refunding bonds. The interest rates on these new bonds are 4% and 5%. The closing date for this bond issue is January 5, 2012. At closing, the \$47.5 million in net proceeds from the issuance will be placed in an irrevocable trust to provide for all future debt service payments on the old bonds. This refunding transaction will result in a cash savings of \$5.4 million over the next 9 years and a 8.14% net present value savings of \$3.7 million.

Note 9) Employee Benefit Plans

(a) Plan Description

The Turnpike System participates in the New Hampshire Retirement System (the Plan). The Plan is a cost-sharing, multiple-employer Public Employees Retirement System established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

Turnpike System members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning services on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested prior to January 1, 2012 and 5 years for members not vested on or after January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of credited service. Members in service with 10 or more years of creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Members may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy.

A special account was established for the Plan by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007 the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus ½ of 1 percent.

In 2007, legislation was passed that permits the transfer of assets into the special account of the Plan for earnings in excess of 10 1/2 percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

In fiscal year 2011, two pieces of legislation passed and impacted the special account of the Plan. The first required an \$89 million transfer from the special account to the state annuity accumulation fund effective May 11, 2011. The other required the balance remaining in the special account, less funds set aside to comply with the temporary supplemental allowances required by RSA 100-A:41-d, III, to be transferred to the respective components of the state annuity accumulation fund effective June 30, 2011.

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

The New Hampshire Retirement System issues an annual financial report that is available to the public. A report may be obtained by writing to them at 54 Regional Drive, Concord, New Hampshire 03301-8507 or by visiting their website at <http://www.nhrs.org>.

(b) Funding Policy

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. In fiscal year 2011, by statute, Group I members contributed 5.0% of gross earnings, except for state employees hired after July 1, 2009 who contributed 7% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the State's actuary using the open group aggregate funding method and are expressed as a percentage of gross payroll and paid by the employer. The Turnpike System's share represents 100% of the employer cost for all Turnpike System employees.

The Turnpike System's contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, were \$938,000, \$922,000, and \$705,000, respectively, which equaled the required contributions for each year.

(c) Health Care Insurance for Retired Employees

In addition to providing pension benefits, State law RSA 21-I: 30 specifies that the State provide certain health care insurance benefits for retired employees within the limits of the funds appropriated at each legislative session. These benefits, referred to as Other Post-Employment Benefits (OPEB), include group hospitalization, hospital medical care, surgical care and pharmaceuticals. Substantially all of the state's employees who were hired on or before June 30, 2003 may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires employees hired on or after July 1, 2003 to have 20 years of state service and are at least 60 years of age at the time of retirement in order to qualify for retiree health insurance benefits. These and similar benefits for active employees are authorized by State law RSA 21-I: 30 and provided through the State's Employee Benefit Risk Management Fund (State Fund), which is the State's self-insurance fund implemented in October 2003 for active state employees and retirees. The State funds the Employee Benefit Risk Management Fund on a pay-as-you-go basis, and recovers this cost from its agencies using an allocation based on current qualified payroll.

The Turnpike System recognizes its portion of the costs of this benefit currently, based on payments into the State Fund. Turnpike System contributions to the State Fund totaled \$609,000 for fiscal year 2011. An additional \$917,000 was paid from the New Hampshire Retirement System Medical Premium Subsidy program on behalf of 238 Turnpike System retirees.

The State's long-term cost of retirement health care and OPEB are determined actuarially on a statewide basis as required under GASB 45. The most recent Actuarial Valuation was performed as of June 30, 2010. Disclosure of the annual OPEB cost, funding status, net OPEB obligation the components of cost and other information concerning the plan are provided in the State of New Hampshire Comprehensive Annual Financial Report.

Note 10) Risk Management and Insurance

a) Principle of Self-Insurance

The Turnpike System is exposed to various risks of loss, related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that the provisions of law direct the purchase of commercial insurance. Should risk assessment indicate that commercial insurance is economical and beneficial for the State or general public, the State may elect to purchase insurance. Settled claims, under the insurance program, have not exceeded insurance coverage in any of the last three years.

b) Employee and Retiree Health Benefits

The State has established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. The State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, State law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs,

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

for unexpected costs. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

c) Workers Compensation

The State is self-insured for its workers compensation, retaining all of the risk associated with claims. The State utilizes an actuarial study that provides an updated estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trend and other relevant claim characteristics based on the state's historical loss experience.

The following table presents the changes in Turnpike System workers compensation claim liabilities in the State Employee Benefit Risk Management Fund during the fiscal years ended June 30, 2010 and 2011:

(Amounts in thousands)

| 6/30/2009 Balance | Increases | Decreases | 6/30/2010 Balance | Increases | Decreases | 6/30/2011 Balance | Current | Long-Term |
|----------------------|-----------|-----------|----------------------|-----------|-----------|----------------------|---------|-----------|
| \$ 2,045 | \$ 36 | \$ 181 | \$ 1,900 | \$ 541 | \$ 451 | \$ 1,990 | \$ 359 | \$ 1,631 |

Note 11) Commitments

(a) E-ZPass Customer Service Contract

Upon inception of the E-ZPass program, the Turnpike System entered into a 3-year contract, renewable through 2016, with Affiliated Computer Services (ACS) located in Newark, NJ, to process E-ZPass transactions. In September 2010, the contract with ACS was renewed for an additional year for an amount not to exceed \$6 million. In August of 2011, a final contract renewal option with ACS was approved in an amount not to exceed \$28.075 million for a professional services agreement for operation of the NH E-ZPass Customer Service Center from October 1, 2011 to September 30, 2016.

(b) Capital Improvement Program

The ten-year capital improvement program, adopted by the Legislature in 1986 and amended through 2010, includes specific components relating to the Turnpike System. This program is intended to improve the safety of the Turnpike System and increase its capacity. It is updated every two years to address changing priorities.

(c) Maintenance

The Turnpike System (other than the Spaulding Turnpike extension) is maintained and repaired by the Bureau of Turnpikes. All maintenance and repair costs have been funded from turnpike operating revenues since the beginning of the Turnpike System in 1950.

(d) Litigation

The Turnpike System is involved in certain lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury, property damage and disputes over eminent domain proceedings. In the opinion of the State Attorney General's Office, payment of claims by the Turnpike System for amounts not covered by insurance in the aggregate, are not expected to have a material adverse effect on the Turnpike's financial position.

Note 12) Future Revenues That Are Pledged or Sold

GASB Statement No. 48, Disclosures Related to Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, is a standard that makes a basic distinction between sales of receivables and future revenues on one hand and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing). In accordance with revenue bond covenants, revenues received are pledged to secure the payment of the principal or redemption price of and interest on the bonds and the performance of the undertakings of the State in the General Bond Resolution, subject only to the application of revenues for the payment of operating expenses in accordance with the terms of the Resolution (see Note 8 (d) for further detail

NEW HAMPSHIRE TURNPIKE SYSTEM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

regarding Revenue Bond Resolutions). The bonds are equally and ratably secured by the pledge, and the undertakings of the State in the Resolution are for the equal and proportional benefit of the Bondholders, except as otherwise expressly provided in the Resolution.

Note 13) Pollution Remediation Obligations

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations (PRO), requires governments to reasonably determine potential polluted sites and provides guidance regarding when to recognize PRO as a liability. During fiscal year 2009, the Turnpike System sold a portion of land in Hudson (formerly known as Benson's) known to be contaminated with hazardous waste. As part of the sale, the Turnpike System agreed to remediate the hazardous waste at the site. For this pollution remediation obligation, the Turnpike System recognized a liability of \$3.0 million at June 30, 2009, which was reduced to \$2.2 million at June 30, 2010. This was a result of a re-estimate by an independent consulting firm. There were no PRO payments made during fiscal year 2011.

During fiscal year 2011, the Turnpike System recognized an additional PRO liability of \$36,000 due to groundwater pollution at the Hampton Toll Plaza and Rochester/Spaulding turnpike project, and a PRO liability of \$266,000 related to contaminated soil at the Rochester site. Estimates used to quantify the cost of remediation at this site include the cubic yards of material to be excavated and removed from the landfill and the removal of hazardous material.

Note 14) Accounting and Financial Reporting for Intangible Assets

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, is a standard that characterizes an intangible asset, as an asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. Specific to the Turnpike System, easements with an indefinite useful life have been historically classified as land.

Temporary easements expire when a project is closed. Temporary easements are considered a project cost. If the project is capitalized, then the cost will be part of Infrastructure and will be amortized over 50 years. If the project is expensed, the easement cost will be expensed.

The effect of this GASB Statement on the financial statements is immaterial.

NEW HAMPSHIRE TURNPIKE SYSTEM
Other Supplementary Information
For the Fiscal Year Ended June 30, 2011
(Unaudited)

OTHER SUPPLEMENTARY INFORMATION SECTION
(Unaudited)

This section includes the budget to actual comparison and accompanying note.

NEW HAMPSHIRE TURNPIKE SYSTEM
Other Supplementary Information
For the Fiscal Year Ended June 30, 2011
(Unaudited)

| State of New Hampshire Department of Transportation - Turnpike System Budget to Actual (Non-GAAP Budgetary Basis) Schedule For the Fiscal Year Ended June 30, 2011 (Amounts in thousands) | | | | |
|---|------------------|-------------------|-------------------|--|
| | Budgeted | | Actual | Variance |
| | Original | Final | Budgetary Basis | Favorable (Unfavorable) with Final Budget |
| Revenues | | | | |
| <i>Restricted</i> | | | | |
| Transponder Sales* | \$ 800 | \$ 137 | \$ 764 | \$ 627 |
| Private Local Funds | | (32) | 288 | 320 |
| Bonds Interest Subsidy | | 3,131 | 3,131 | |
| Vending Machine Income | | 5 | 5 | |
| <i>Total Restricted Revenue</i> | 800 | 3,241 | 4,188 | 947 |
| <i>Unrestricted</i> | | | | |
| Spaulding Toll Cash Receipts | 5,422 | 7,100 | 5,580 | (1,520) |
| Blue Star Toll Cash Receipts | 19,200 | 20,200 | 21,294 | 1,094 |
| Central NH Toll Cash Receipts | 18,128 | 19,200 | 17,908 | (1,292) |
| Property Damage | 40 | 164 | (10) | (174) |
| Miscellaneous | 350 | 2,100 | 11 | (2,089) |
| Administration Fees - Electronic Toll Collection | | | 8 | 8 |
| Toll Evasion | 50 | 26 | 13 | (13) |
| Lottery Vending | | | 11 | 11 |
| Rental Income | 100 | 59 | 101 | 42 |
| Cash Management Interest | 200 | 1,500 | 163 | (1,337) |
| Combined Debt Service Interest | 700 | 715 | 1 | (714) |
| Debt Service Interest | 5 | | | |
| General Reserve Interest | 50 | 80 | 1 | (79) |
| Insurance Reserve Interest | 50 | 120 | 2 | (118) |
| Debt Service Principal | 50 | 68 | | (68) |
| Construction Account Interest 2009 | | | 1 | 1 |
| Statement Fee Revenue | 900 | 33 | 33 | |
| Violation Enforcement System Admin Fees Less than 30 Days | 800 | 945 | 621 | (324) |
| Violation Enforcement System Admin Fees Over 30 Days | 20 | | | |
| Central Toll E-ZPass Revenue | 18,128 | 24,750 | 26,361 | 1,611 |
| Blue Star Toll E-ZPass Revenue | 19,200 | 24,600 | 36,932 | 12,332 |
| Spaulding Toll E-ZPass Revenue | 5,422 | 7,800 | 8,793 | 993 |
| Truck Rental | | | 53 | 53 |
| Right-of-Way Property Sales | | | 49 | 49 |
| <i>Total Unrestricted Revenue</i> | 88,815 | 109,460 | 117,926 | 8,466 |
| Total Revenue | \$ 89,615 | \$ 112,701 | \$ 122,114 | \$ 9,413 |

* Originally budgeted as unrestricted revenue

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Other Supplementary Information
For the Fiscal Year Ended June 30, 2011
(Unaudited)

| State of New Hampshire Department of Transportation - Turnpike System Budget to Actual (Non-GAAP Budgetary Basis) Schedule For the Fiscal Year Ended June 30, 2011 (Amounts in thousands) | | Budgeted | | Actual | Variance |
|---|----|----------|--------------|-----------------|--|
| | | Original | Final | Budgetary Basis | Favorable (Unfavorable) with Final Budget |
| Expenditures | | | | | |
| Welcome Centers and Rest Area Operations | \$ | 1,421 | \$ 1,421 | \$ 1,096 | \$ 325 |
| I-95 Bridge Purchase Repayment | | | 20,000 | 4,650 | 15,350 |
| Administration and Support | | 6,386 | 6,425 | 5,824 | 601 |
| Renewal and Replacement | | 9,800 | 9,800 | 13,439 | (3,639) |
| Central Operations | | 5,958 | 5,958 | 5,297 | 661 |
| Central Maintenance | | 5,097 | 5,097 | 4,165 | 932 |
| East NH Turnpike Blue Star Operations | | 4,417 | 4,417 | 3,634 | 783 |
| East NH Turnpike Blue Star Maintenance | | 3,106 | 3,106 | 2,022 | 1,084 |
| East NH Turnpike Spaulding Operations | | 2,153 | 2,153 | 1,917 | 236 |
| East NH Turnpike Spaulding Maintenance | | 1,766 | 1,766 | 1,339 | 427 |
| Toll Collection | | 9,992 | 10,019 | 9,161 | 858 |
| Turnpike Debt Service | | 36,816 | 39,947 | 37,476 | 2,471 |
| Transponder Inventory Fund | | | | 808 | (808) |
| Retirees Health Insurance | | 1,185 | 1,185 | 609 | 576 |
| Workers Compensation | | 600 | 600 | 465 | 135 |
| Unemployment Compensation | | 25 | 25 | 7 | 18 |
| Total Expenses before Capital Expenses | | 88,722 | 111,919 | 91,909 | 20,010 |
| Capital Expenses | | | | | |
| RSA 237:2 I Blue Star Memorial | | | 17,200 | 449 | 16,751 |
| RSA 237:2 III Central NH Turnpike | | | | 160 | (160) |
| RSA 237:2 VII Central NH Turnpike | | | | 9,117 | (9,117) |
| Toll Collection Equipment | | | | 5,955 | (5,955) |
| Spaulding Turnpike Second Barrel | | | 21,800 | 35,037 | (13,237) |
| Spaulding Turnpike/US 4/NH 16 | | | 275,000 | 1,445 | 273,555 |
| Total Capital Expenses | | 0 | 314,000 | 52,163 | 261,837 |
| Total Expenses | | 88,722 | 425,919 | 144,072 | 281,847 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ | 893 | \$ (313,218) | \$ (21,958) | 291,260 |

The Note to Other Supplementary Information is an integral part of this schedule.

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Note to Other Supplementary Information
For the Fiscal Year Ended June 30, 2011
(Unaudited)

1) Budget Control

The Laws of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the two years, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues; Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government; and Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The Turnpike System operating budget is prepared principally on a modified cash basis and adopted for enterprise funds, with the exception of Capital Project appropriations. The Capital Projects budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the Budget to Actual Non-GAAP Budgetary Basis Schedules.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as reservation of fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. The Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

STATISTICAL SECTION
(Unaudited)

This section includes other relevant financial and operational information.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

| STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM STATEMENT OF NET ASSETS Comparative Fiscal Years Ended June 30 (Amounts in thousands) | | | | | | | |
|---|-------------------------|-----------------|--------------|-------------------------|-----------------|---------------|----------------|
| | Change 2011 versus 2010 | | | Change 2010 versus 2009 | | | |
| | 2011 | \$ | % | 2010 | \$ | % | 2009 |
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | \$ 82,083 | \$ 4,617 | 6.0% | \$ 77,466 | \$ 22,063 | 39.8% | \$ 55,403 |
| Cash and Cash Equivalents – Restricted | 61,320 | (47,681) | -43.7% | 109,001 | 68,512 | 169.2% | 40,489 |
| Investments | | | | | (5,000) | -100.0% | 5,000 |
| Accounts Receivable (Net of Allowances for Uncollectibles) | 4,561 | (749) | -14.1% | 5,310 | 1,395 | 35.6% | 3,915 |
| Due from Other Funds | 18 | 18 | 100.0% | | | | |
| Inventories | 1,780 | 853 | 92.0% | 927 | (138) | -13.0% | 1,065 |
| Prepaid Assets | 109 | (5) | -4.4% | 114 | 1 | 0.9% | 113 |
| Total Current Assets | 149,871 | (42,947) | -22.3% | 192,818 | 86,833 | 81.9% | 105,985 |
| Non-current Assets: | | | | | | | |
| Bond Issue Costs | 3,056 | (194) | -6.0% | 3,250 | 366 | 12.7% | 2,884 |
| Capital Assets: | | | | | | | |
| Land | 108,783 | 32 | 0.0% | 108,751 | 1,394 | 1.3% | 107,357 |
| Buildings | 6,994 | 2,163 | 44.8% | 4,831 | 3 | 0.1% | 4,828 |
| Equipment and Computer Software | 37,372 | 205 | 0.6% | 37,167 | 584 | 1.6% | 36,583 |
| Construction in Progress | 120,785 | 44,027 | 57.4% | 76,758 | 41,688 | 118.9% | 35,070 |
| Infrastructure | 713,456 | 42,310 | 6.3% | 671,146 | 40,837 | 6.5% | 630,309 |
| Less: Allowance for Accumulated Depreciation and Amortization | (290,724) | (19,916) | 7.4% | (270,808) | (27,969) | 11.5% | (242,839) |
| Net Capital Assets | 696,666 | 68,821 | 11.0% | 627,845 | 56,537 | 9.9% | 571,308 |
| Total Non-current Assets | 699,722 | 68,627 | 10.9% | 631,095 | 56,903 | 9.9% | 574,192 |
| Total Assets | 849,593 | 25,874 | 3.1% | 823,913 | 143,736 | 21.1% | 680,177 |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable | 6,926 | 379 | 5.8% | 6,547 | 586 | 9.8% | 5,961 |
| Due to Other Funds | | (45) | -100.0% | 45 | (468) | -91.2% | 513 |
| Accrued Payroll | 944 | (18) | -1.9% | 962 | 48 | 5.3% | 914 |
| Deferred Revenue | 7,814 | 339 | 4.5% | 7,475 | 574 | 8.3% | 6,901 |
| General Obligation Bonds Payable - Current | | (584) | -100.0% | 584 | (40) | -6.4% | 624 |
| Revenue Bonds Payable - Restricted | 17,020 | (130) | -0.8% | 17,150 | 3,650 | 27.0% | 13,500 |
| Note Payable to State Highway Fund | 23,317 | 7,967 | 51.9% | 15,350 | 15,350 | 100.0% | |
| Accrued Interest Payable | 5,346 | (1,572) | -22.7% | 6,918 | 3,282 | 90.3% | 3,636 |
| Claims and Compensated Absences Payable | 680 | 223 | 48.8% | 457 | (9) | -1.9% | 466 |
| Other Liabilities | 309 | 249 | 415.0% | 60 | 56 | 1400.0% | 4 |
| Total Current Liabilities | 62,356 | 6,808 | 12.3% | 55,548 | 23,029 | 70.8% | 32,519 |
| Non-current Liabilities: | | | | | | | |
| General Obligation Bonds Payable | | | | | (677) | -100.0% | 677 |
| Revenue Bonds Payable (Net of Unamortized Premium) | 344,420 | (16,670) | -4.6% | 361,090 | 130,558 | 56.6% | 230,532 |
| Note Payable to State Highway Fund | 52,461 | (23,316) | -30.8% | 75,777 | 75,777 | 100.0% | |
| Claims and Compensated Absences Payable | 2,387 | (159) | -6.2% | 2,546 | (17) | -0.7% | 2,563 |
| Other Non-current Liabilities | 2,570 | (9) | -0.3% | 2,579 | (421) | -14.0% | 3,000 |
| Total Non-current Liabilities | 401,838 | (40,154) | -9.1% | 441,992 | 205,220 | 86.7% | 236,772 |
| Total Liabilities | 464,194 | (33,346) | -6.7% | 497,540 | 228,249 | 84.8% | 269,291 |
| NET ASSETS | | | | | | | |
| Invested in Capital Assets (Net of Related Debt) | 259,448 | 101,554 | 64.3% | 157,894 | (168,081) | -51.6% | 325,975 |
| Restricted for Debt Repayments | 44,885 | (3,533) | -7.3% | 48,418 | 10,929 | 29.2% | 37,489 |
| Restricted for Construction | 13,434 | (44,149) | -76.7% | 57,583 | 57,583 | 100.0% | 0 |
| Restricted for Uninsured Risks | 3,001 | 1 | 0.0% | 3,000 | 0 | 0.0% | 3,000 |
| Unrestricted Net Assets | 64,631 | 5,153 | 8.7% | 59,478 | 15,056 | 33.9% | 44,422 |
| Total Net Assets | 385,399 | 59,026 | 18.1% | 326,373 | (84,513) | -20.6% | 410,886 |

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

| STATE OF NEW HAMPSHIRE | | | | | | | |
|---|-------------------------|------------------|----------------|-------------------------|--------------------|----------------|-------------------|
| DEPARTMENT OF TRANSPORTATION – TURNPIKE SYSTEM | | | | | | | |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS | | | | | | | |
| Comparative Fiscal Years Ended June 30 | | | | | | | |
| (Amounts in thousands) | | | | | | | |
| | Change 2011 versus 2010 | | | Change 2010 versus 2009 | | | |
| | 2011 | \$ | % | 2010 | \$ | % | 2009 |
| <u>OPERATING REVENUES</u> | | | | | | | |
| Toll Revenue - Cash | \$ 44,873 | \$ (3,010) | -6.3% | \$ 47,883 | \$ 2,578 | 5.7% | \$ 45,305 |
| Toll Revenue - E-ZPass | 71,786 | 3,633 | 5.3% | 68,153 | 9,551 | 16.3% | 58,602 |
| Other Toll Operating Revenue | 1,202 | (451) | -27.3% | 1,653 | (545) | -24.8% | 2,198 |
| Transponder Revenue | 827 | 113 | 15.8% | 714 | 62 | 9.5% | 652 |
| Total Operating Revenues | 118,688 | 285 | 0.2% | 118,403 | \$11,646 | 10.9% | 106,757 |
| <u>OPERATING EXPENSES</u> | | | | | | | |
| Personnel Services | 11,438 | 86 | 0.8% | 11,352 | 217 | 1.9% | 11,135 |
| Payroll Benefits | 5,611 | 147 | 2.7% | 5,464 | 364 | 7.1% | 5,100 |
| Enforcement | 4,926 | (99) | -2.0% | 5,025 | (343) | -6.4% | 5,368 |
| Renewal & Replacement | 14,309 | 6,516 | 83.6% | 7,793 | (12) | -0.2% | 7,805 |
| Supplies & Materials | 3,861 | 316 | 8.9% | 3,545 | (198) | -5.3% | 3,743 |
| Equipment & Repairs, and Other | 3,261 | 594 | 22.3% | 2,667 | (520) | -16.3% | 3,187 |
| Indirect Costs | 2,058 | 48 | 2.4% | 2,010 | (59) | -2.9% | 2,069 |
| Heat, Light and Power | 1,317 | 102 | 8.4% | 1,215 | (18) | -1.5% | 1,233 |
| Bank & Credit Card Fees | 2,293 | 256 | 12.6% | 2,037 | 303 | 17.5% | 1,734 |
| Rentals | 1,013 | 242 | 31.4% | 771 | (212) | -21.6% | 983 |
| E-ZPass Processing Fees | 5,771 | 512 | 9.7% | 5,259 | 142 | 2.8% | 5,117 |
| Transponder Expense | 790 | 21 | 2.7% | 769 | 76 | 11.0% | 693 |
| Depreciation | 21,004 | 5,034 | 31.5% | 15,970 | 791 | 5.2% | 15,179 |
| Total Operating Expenses | 77,652 | 13,775 | 21.6% | 63,877 | 531 | 0.8% | 63,346 |
| Operating Income | 41,036 | (13,490) | -24.7% | 54,526 | 11,115 | 25.6% | 43,411 |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | | | | | |
| Investment Income | 164 | (1,944) | -92.2% | 2,108 | 1,272 | 152.2% | 836 |
| Miscellaneous | 3,589 | 3,395 | 1750.0% | 194 | 54 | 38.6% | 140 |
| Loss on Intra-Entity Acquisition of Land from Related State Agency | (2,082) | 120,706 | -100.0% | (122,788) | (122,788) | 0.0% | |
| Loss on the Sale of Property | (166) | 786 | -82.6% | (952) | 3,043 | -100.0% | (3,995) |
| Interest on Bonds and Notes | (14,792) | 1,431 | -8.8% | (16,223) | (3,270) | 25.2% | (12,953) |
| Amortization of Bond Issuance Costs | (228) | 744 | -76.5% | (972) | (693) | 248.4% | (279) |
| Total Non-Operating Revenues (Expenses) | (13,515) | 125,118 | -90.3% | (138,633) | (122,382) | 753.1% | (16,251) |
| Income (Loss) Before Capital Contributions | 27,521 | 111,628 | -132.7% | (84,107) | (111,267) | -409.7% | 27,160 |
| Capital Contributions | 31,505 | 31,911 | -7859.9% | (406) | (4,358) | -110.3% | 3,952 |
| Change in Net Assets | 59,026 | 143,539 | -169.8% | (84,513) | (115,625) | -371.6% | 31,112 |
| <i>Net Assets – July 1</i> | <i>326,373</i> | <i>(84,513)</i> | <i>-20.6%</i> | <i>410,886</i> | <i>31,112</i> | <i>8.2%</i> | <i>379,774</i> |
| <i>Net Assets – June 30</i> | <i>\$ 385,399</i> | <i>\$ 59,026</i> | <i>18.1%</i> | <i>\$ 326,373</i> | <i>\$ (84,513)</i> | <i>-20.6%</i> | <i>\$ 410,886</i> |

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION - TURNPIKE SYSTEM
CAPITAL ASSETS

Comparative Fiscal Years Ended June 30

(Amounts in thousands)

| | Fiscal Years Ended June 30 | | | | |
|---|-----------------------------------|-------------|-------------|-------------|-------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Capital Assets not Being Depreciated: | | | | | |
| Land | \$ 108,783 | \$ 108,751 | \$ 107,357 | \$ 110,663 | \$ 110,412 |
| Construction in Progress | 120,785 | 76,758 | 35,070 | 26,082 | 58,984 |
| Subtotal Capital Assets not Being Depreciated | 229,568 | 185,509 | 142,427 | 136,745 | 169,396 |
| Other Capital Assets: | | | | | |
| Equipment and Computer Software | 37,372 | 37,167 | 36,583 | 35,656 | 33,468 |
| Buildings | 6,994 | 4,831 | 4,828 | 4,828 | 4,828 |
| Infrastructure | 713,456 | 671,146 | 630,309 | 611,156 | 558,936 |
| Subtotal Other Capital Assets | 757,822 | 713,144 | 671,720 | 651,640 | 597,232 |
| Total Capital Assets | 987,390 | 898,653 | 814,147 | 788,385 | 766,628 |
| Less Accumulated Depreciation for: | | | | | |
| Equipment | (28,761) | (26,545) | (23,744) | (20,909) | (18,162) |
| Buildings and Building Improvements | (3,158) | (2,964) | (2,892) | (2,820) | (2,747) |
| Infrastructure | (258,805) | (241,299) | (216,203) | (204,292) | (190,067) |
| Total Accumulated Depreciation | (290,724) | (270,808) | (242,839) | (228,021) | (210,976) |
| Net Capital Assets | \$ 696,666 | \$ 627,845 | \$ 571,308 | \$ 560,364 | \$ 555,652 |

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

SCHEDULE OF DEBT SERVICE COVERAGE RATIO

For the Fiscal Years 2011 - 1995

(Amounts in thousands)

| Fiscal Year | Gross Revenues | Direct Operating Expenses | (A) Net Revenue Available for Service | (B) Revenue Bond Debt Service Requirements | (A / B) Revenue Bond Coverage Ratio | (C) G.O. Bond Debt Service Requirements | (D) Renewal & Replacement | (B+C+D) Total | (A / (B+C+D)) All Obligations Coverage Ratio |
|-------------|----------------------|---------------------------|--|---|--|--|------------------------------|------------------|---|
| 2011 | 119,314 | 42,339 ¹ | 76,975 | 33,745 | 2.28 | 599 | 9,800 | 44,144 | 1.74 ³ |
| 2010 | ¹ 119,407 | 40,171 ¹ | 79,236 | 29,656 | 2.67 | 669 | 9,600 | 39,925 | 1.98 |
| 2009 | ¹ 107,660 | 40,361 ¹ | 67,299 | 25,873 ² | 2.6 | 1,597 | 10,040 | 37,510 | 1.79 |
| 2008 | 106,814 | 37,122 ¹ | 69,692 | 25,710 | 2.71 | 1,713 | 8,300 | 35,723 | 1.95 |
| 2007 | 89,054 | 36,158 ¹ | 52,896 | 28,078 | 1.88 | 2,985 | 6,047 | 37,110 | 1.43 |
| 2006 | 83,054 | 41,784 ¹ | 41,270 | 25,831 | 1.6 | 4,219 | 5,871 | 35,921 | 1.15 |
| 2005 | 68,318 | 30,041 | 38,277 | 27,003 | 1.42 | 4,246 | 5,700 | 36,949 | 1.04 |
| 2004 | 66,463 | 26,568 | 39,895 | 23,865 | 1.67 | 4,842 | 5,600 | 34,307 | 1.16 |
| 2003 | 67,086 | 24,505 | 42,581 | 24,749 | 1.72 | 5,183 | 5,700 | 35,632 | 1.2 |
| 2002 | 66,218 | 23,877 | 42,341 | 26,452 | 1.6 | 5,415 | 5,365 | 37,232 | 1.14 |
| 2001 | 63,981 | 21,352 | 42,629 | 25,352 | 1.68 | 5,696 | 5,431 | 36,479 | 1.17 |
| 2000 | 63,034 | 22,064 | 40,970 | 26,452 | 1.55 | 5,973 | 5,308 | 37,733 | 1.09 |
| 1999 | 59,257 | 18,794 | 40,463 | 22,286 | 1.82 | 6,304 | 4,119 | 32,709 | 1.24 |
| 1998 | 58,033 | 16,352 | 41,681 | 21,678 | 1.92 | 6,519 | 3,990 | 32,187 | 1.29 |
| 1997 | 55,714 | 17,231 | 38,483 | 21,597 | 1.78 | 6,747 | 3,000 | 31,344 | 1.23 |
| 1996 | 53,231 | 17,024 | 36,207 | 21,595 | 1.68 | 6,975 | 3,000 | 31,570 | 1.15 |
| 1995 | 51,670 | 17,336 | 34,334 | 20,878 | 1.64 | 7,232 | 2,810 | 30,920 | 1.11 |

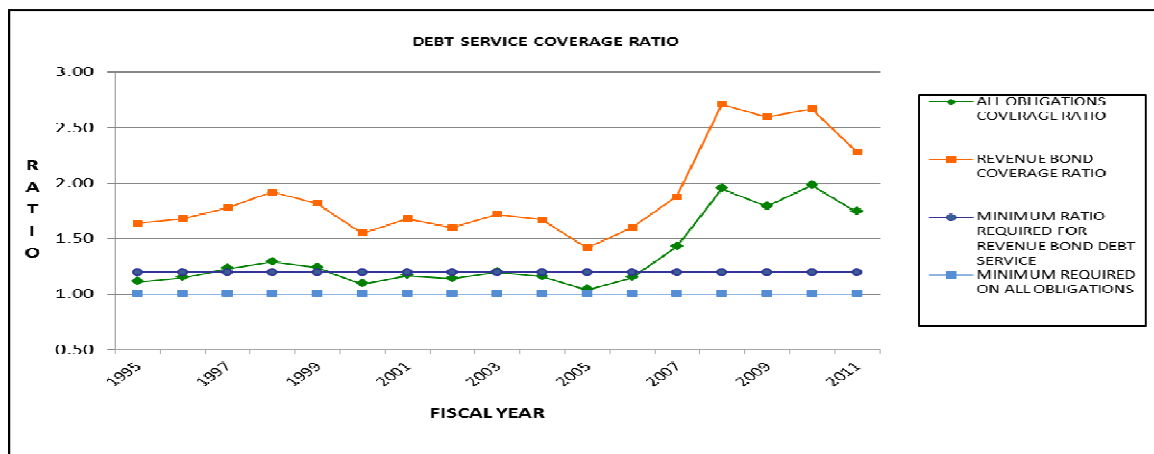
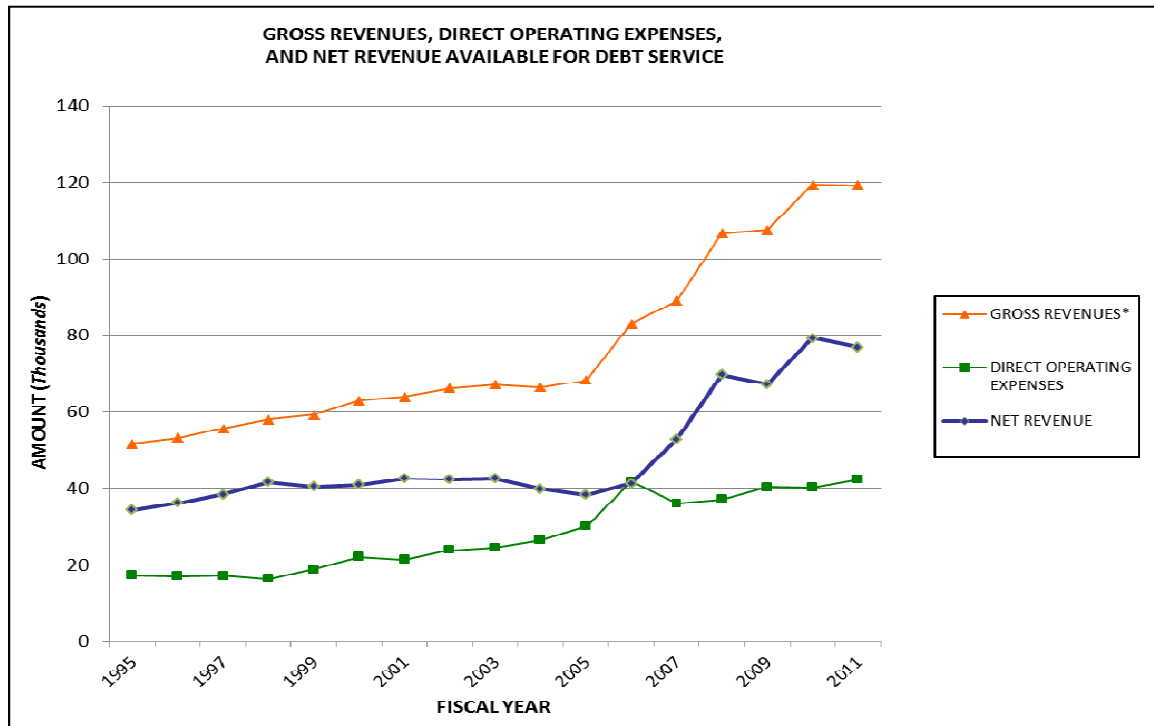
1. Fiscal years 2006 through 2011 calculations of Direct Operating Expenses subtract out the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions). However, prior year calculations still reflect the historical practice of subtracting only the Turnpikes portion of depreciation expense.

2. The fiscal year 2009 debt service requirement consists of total payments to the Debt Service Account as required by the bond resolution. Debt service requirement calculations in the previous fiscal years consisted of the actual principal and interest paid over the fiscal year.

3. Unaudited toll covenant calculations indicate adequate toll revenues for fiscal year 2011. The revenue bond coverage ratio was satisfied at 2.28 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.74 for the 1.0 times test, as calculated by the Department. Chapter 144, Laws of 2009 authorized the acquisition and transfer of a bridge and 1.6 mile section of I-95 to the Turnpike System for \$120 million. The Turnpike System continues to make payments, and in fiscal year 2011, made a note payment of \$20 million to the State Highway Fund. Because the Turnpike System cash balance at June 30, 2010 was \$127.5 million, this balance beginning in fiscal year 2011 was deemed more than sufficient to satisfy the Note Payable to the State Highway Fund and current year FY 2011 revenues for this payment were not needed. Accordingly, the Note Payable to the State Highway Fund was not included in the all obligations ratio for fiscal year 2011.

See accompanying Independent Auditors' Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)



* As defined in Turnpike System Bond Resolutions.

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

ANNUAL TRAFFIC AND TOLL REVENUE TRENDS
New Hampshire Turnpike System
For the Years Ended June 30

The table below shows annual toll transaction and revenue trends for the Turnpike System during the period beginning with fiscal year 2011 and ending with fiscal year 1998.

| Fiscal Year | Annual Toll Transactions | Percent Change from Prior Year | Annual Toll Revenues* | Percent Change from Prior Year |
|-------------------|--------------------------|--------------------------------|-----------------------|--------------------------------|
| 2011 ⁺ | 108,723,856 | 0.36% | \$116,659,180 | 0.54% |
| 2010 ⁺ | 108,336,576 | 0.63% | \$116,036,026 | 11.67% |
| 2009 ⁺ | 107,653,154 | -4.90% | \$103,907,003 | 3.40% |
| 2008 ⁺ | 113,186,722 | -2.00% | \$100,406,992 | 22.20% |
| 2007 ⁺ | 115,457,650 | 0.80% | \$82,175,322 | 7.20% |
| 2006 ⁺ | 114,562,787 | 4.10% | \$76,633,131 | 16.20% |
| 2005 # | 110,040,272 | -0.50% | \$65,956,309 | 0.30% |
| 2004 # | 110,573,506 | 0.50% | \$65,780,607 | 2.20% |
| 2003 | 109,978,691 | 2.10% | \$64,367,301 | 0.00% |
| 2002 | 107,729,932 | 4.00% | \$64,371,208 | 4.60% |
| 2001 | 103,583,561 | 4.20% | \$61,536,675 | 2.30% |
| 2000 | 99,363,028 | 5.70% | \$60,166,815 | 5.40% |
| 1999 | 94,017,638 | 5.70% | \$57,080,882 | 5.10% |
| 1998 | 88,987,246 | 4.70% | \$54,298,452 | 4.10% |

* Excludes charge account interest and miscellaneous income.

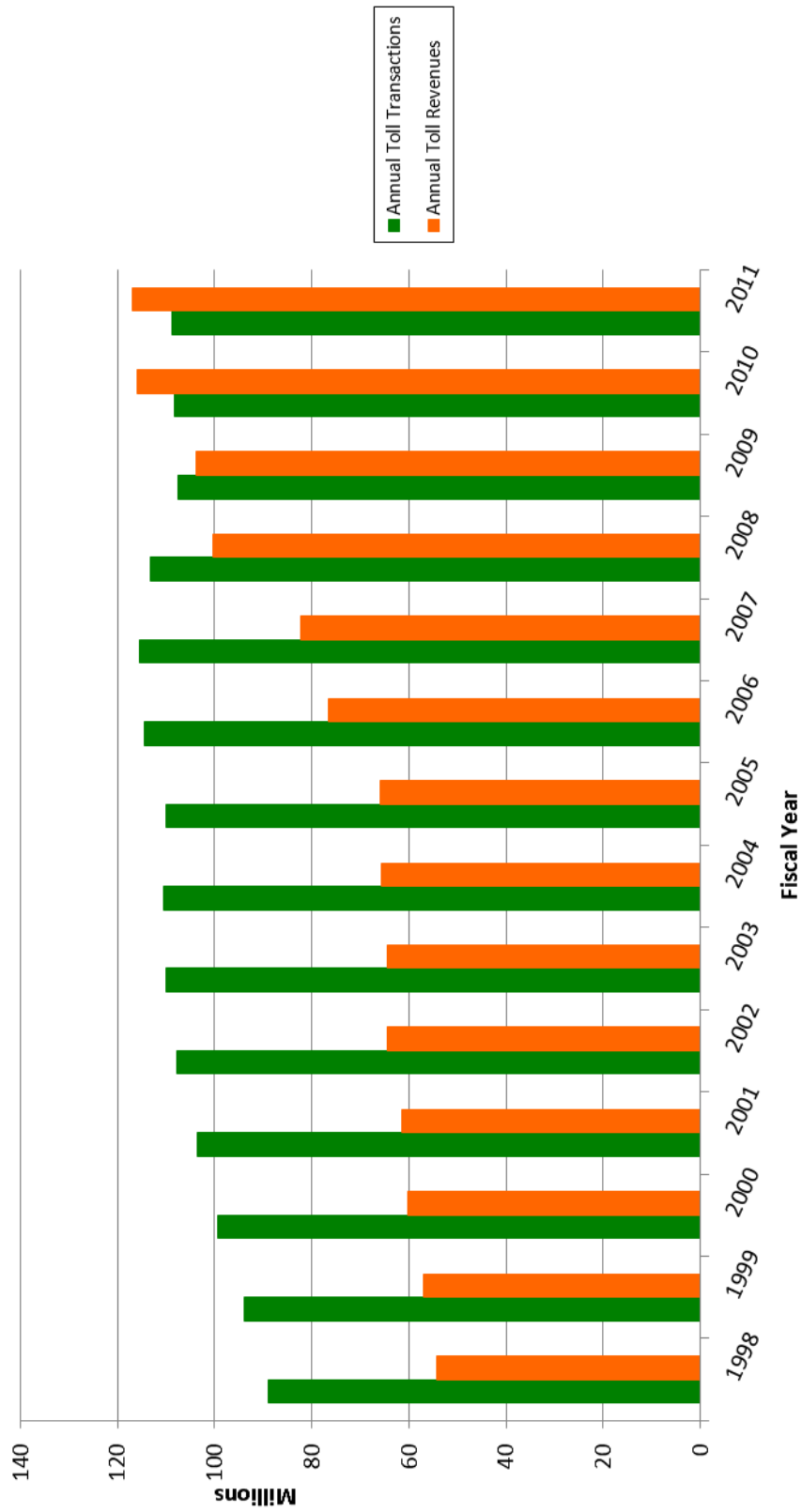
⁺Toll Revenue amounts used FY06 through FY11 agree to the Consolidated Annual Financial Reports.
Cash basis revenue was used in prior years.

Hampton toll plaza: One-way tolls September-October 2003 and July-October 2004.

See accompanying Independent Auditor's Report.

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)


ANNUAL TRAFFIC AND TOLL REVENUE TRENDS
New Hampshire Turnpike System
For the Years Ended June 30



See accompanying Independent Auditor's Report

NEW HAMPSHIRE TURNPIKE SYSTEM
Statistical Section
For the Fiscal Year Ended June 30, 2011
(Unaudited)

TOLL RATE SCHEDULE
Effective July 1, 2009

|  | Fare | | | | | | | | | | | | | |
|---|-------|--------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Plaza | Type/Class | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Hooksett Main | | Cash Fare | 1.00 | \$ 1.25 | \$ 1.50 | \$ 1.75 | \$ 2.00 | \$ 2.50 | \$ 3.00 | \$ 3.50 | \$ 4.00 | \$ 4.50 | \$ 5.00 | \$ 5.50 |
| | | E-ZPass Fare | \$0.70 | \$0.88 | \$1.05 | \$1.23 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 | \$4.50 | \$4.95 |
| Hooksett Ramp | | Cash Fare | 0.50 | 0.75 | 1.00 | 1.25 | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 |
| Bedford Main | | E-ZPass Fare | \$0.35 | \$0.53 | \$0.70 | \$0.88 | \$0.90 | \$1.35 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 |
| | | Cash Fare | 1.00 | 1.25 | 1.50 | 1.75 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 | 5.00 | 5.50 |
| Bedford Road | | E-ZPass Fare | \$0.70 | \$0.88 | \$1.05 | \$1.23 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 | \$4.50 | \$4.95 |
| | | Cash Fare | 0.50 | 0.75 | 1.00 | 1.25 | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 |
| Exit 11 | | Cash Fare | 0.50 | 0.75 | 1.00 | 1.25 | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 |
| | | E-ZPass Fare | \$0.35 | \$0.53 | \$0.70 | \$0.88 | \$0.90 | \$1.35 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 |
| | | Cash Fare | 0.50 | 0.75 | 1.00 | 1.25 | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 |
| Merrimack Industrial | | E-ZPass Fare | \$0.35 | \$0.53 | \$0.70 | \$0.88 | \$0.90 | \$1.35 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 |
| Hampton Main | | Cash Fare | 2.00 | 2.25 | 2.50 | 2.75 | 4.00 | 4.50 | 5.00 | 5.50 | 6.00 | 6.50 | 7.00 | 7.50 |
| | | E-ZPass Fare | \$1.40 | \$1.58 | \$1.75 | \$1.93 | \$3.60 | \$4.05 | \$4.50 | \$4.95 | \$5.40 | \$5.85 | \$6.30 | \$6.75 |
| Hampton Side | | Cash Fare | 0.75 | 1.00 | 1.25 | 1.50 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 | 5.00 |
| | | E-ZPass Fare | \$0.53 | \$0.70 | \$0.88 | \$1.05 | \$1.35 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 | \$4.50 |
| Dover Toll | | Cash Fare | 0.75 | 1.00 | 1.25 | 1.50 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 | 5.00 |
| | | E-ZPass Fare | \$0.53 | \$0.70 | \$0.88 | \$1.05 | \$1.35 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 | \$4.50 |
| Rochester Toll | | Cash Fare | 0.75 | 1.00 | 1.25 | 1.50 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 | 4.50 | 5.00 |
| | | E-ZPass Fare | \$0.53 | \$0.70 | \$0.88 | \$1.05 | \$1.35 | \$1.80 | \$2.25 | \$2.70 | \$3.15 | \$3.60 | \$4.05 | \$4.50 |

See accompanying Independent Auditors' Report

Back Cover 1 (top)

Aerial view of the Hampton open road tolling facility along I-95 and interchange with NH 101. Photo is looking southerly.

Back Cover 2 (left)

Aerial view of the new Little Bay Bridge construction, existing northbound and southbound Little Bay Bridges along the Spaulding Turnpike, and the General Sullivan Bridge. Photo is looking southerly.

Back Cover 3 (right)

Construction of the New Exit 14 interchange along the Spaulding Turnpike in Rochester. Photo is looking northerly.

